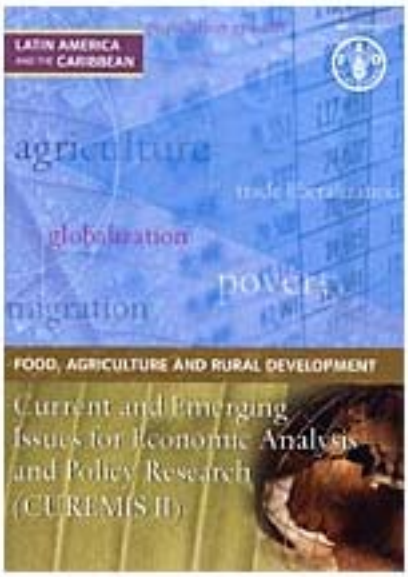

Current and Emerging Issues for Economic Analysis and Policy Research (CUREMIS II)

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Preface

FAO publishes an edition of *Current and Emerging Issues for Economic Analysis and Policy Research* (CUREMIS) on a bi-annual basis. This CUREMIS project was created in response to the recommendations of a High Level Panel of external experts invited by the Director-General of FAO to provide suggestions on the future orientation of FAO's analytical work on economic and policy aspects of food and agriculture. The panel recommended that the research priorities of the Agriculture and Economic Development Analysis Division (ESA) should be directed at the systematic identification of major current and emerging issues for policy and economic analysis and of gaps in the state of knowledge regarding those issues. The panel also recommended that the process of identification and prioritization of issues draw on the rich experience and work at the country and regional levels of the decentralized policy assistance capacities of FAO and, more generally, on the presence of the Organization in countries and regions.

The general purpose of CUREMIS is thus the identification of important issues related to food and agriculture (including rural poverty, food security, gender and environmental/natural resource issues) and carry out an in-depth analysis of those issues. The objective of such analyses is to identify gaps in knowledge on those issues and propose those gaps for further analysis to the research, academic and development communities. The ultimate objective of the overall effort is to improve the information and knowledge base required for designing policy options. FAO is in a unique position to undertake such an exercise due to the Organization's multidisciplinarity, its vast experience in food and agricultural issues and its continuous contacts, through its decentralized offices, with policy-making circles in developing countries.

The first edition, published in 2001, covered global issues, including new trends in development thinking; rural poverty in Latin America;

institutions, reform and agricultural performance and migration. The 2003 edition, or CUREMIS-II, covers issues with a regional focus. This second edition, of which the current volume on Latin America and the Caribbean forms part, is comprised of five separately published volumes, covering also the regions of Asia and the Pacific, sub-Saharan Africa, the Near East and North Africa, Central and Eastern Europe and the Commonwealth of Independent States.

The identification of the issues for each region has been the result of a process of consultations involving headquarters staff and staff from the regional and subregional offices. The detailed annotated outlines of the papers included in each volume were discussed in regional workshops in which FAO staff, members of the research, academic and policy communities from the region participated. It is our hope that the CUREMIS project can make a substantial contribution to the identification of research priorities relevant to development policy, but also that it contributes to the ongoing debate on the achievement of the Millennium Development Goals, including the goal set by the World Food Summit to halve the number of hungry people by 2015.

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Rome, July 2003

Preface to the Latin America and the Caribbean volume

Every modernizing project has inscribed at its core the basic tenet *change to consolidate*. It is not a question of pretending to make changes so that everything stays the same, but of acknowledging that changes do not take place in a vacuum. They are the result of a particular social journey that draws on the historical legacy of humanity. When changes are profound they do not respond to individual will, although they do demand the sum of many individual wills: they result strictly from a set of experiences and processes that converge at a particular moment to mark the watershed of an era.

It is the duty of the state and society to recognize those moments inscribed with the spirit of change. Good governance requires keeping in step with change. Hasty, uncoordinated, unilateral initiatives undertaken with inadequate social consensus can end up blocking modernizing intentions. At the other extreme, excessive caution winds up extinguishing the vital forces convoked by change.

Each society has arrived at this meeting point by different paths and at divergent moments. What is certain is that the changes we have been a part of have been accepted as a blessing or as fate, driven by some and imposed upon many others. Winners have certainly emerged from the changes in the spheres of commerce, finance communications, culture and geopolitics. But the many losers – or those who see themselves as potential losers – knock on all the doors, even the best-fortified.

What are the most important changes that the Latin American countryside has undergone over the last decade? We can mention four:

One change concerns the new institutionality of agricultural and rural development, promoted by the actions of private, social, governmental and non-governmental social agents. These institutions facilitate diversification of the rural economy with more balanced use of natural and productive resources for achieving sustainable rural development.

Nevertheless there is no point in promoting flexibility, transparency and participation without recognition of diversity and economic and social pluralism.

The important idea is to incorporate the wide variety of strategies and social actors in a wider dialogue that results in inclusion. As de Janvry, Sadoulet and Fafchamps (1989) point out, when the information available is imperfect, it is more important and beneficial for the state to strengthen the negotiating power of the least advantaged than attempt to regulate private contracts.[1]

This negotiating power (by no means indifferent to economic performance) is a crucial element for producers and the rural poor because in the absence of solid democratic organization and participation, and given the influence of local elites, they will face greater disadvantages under the new conditions of deregulation and flexibility in the organization of production. In other words, it is essential that rural society in all its complexity be reflected in the structure and practices of rural institutions. This will allow the inclusion and consideration of the demands of all social actors, especially those who were excluded from the first phase of reforms.

The second change concerns the feminization of the rural economies of the region. Rural women have assumed the brunt of the burden and the social costs caused by economic globalization. The huge economic transformations undergone in Latin America and the Caribbean in recent decades have had a strong impact on traditional rural life in the region, and rural women have assumed production responsibilities and activities traditionally performed by men. Within their households women develop multiple and varying daily subsistence strategies for feeding their families: they have higher levels of incorporation into rural non-farm jobs than men do, work the family plots, gather and process foods, migrate to the cities to send remittances home and have rapidly entered the salaried workforce. However, those forms of work tend to be more precarious and lower paid and with fewer training opportunities then the work opportunities available to men.

Agricultural and rural development policy must change in order to accompany and facilitate this evolution in the role of rural women. It is unacceptable that there still exist differential restrictions for men and women, such as inequality of access to public services, technical assistance, land ownership, credit and human resources training programmes. These differences are particularly contradictory given that it is often men who have the land but women who work it.

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[1] de Janvry, A., Sadoulet, E. & Fafchamps, M. 1989. Agrarian structure, technological innovations and the State. *In* P. Bardhan, ed., *The economic theory of agrarian institutions*. Oxford, Clarendon Press.

The third change is related to the need for new normative instruments and evaluation methods. Recent experience in Latin America and the Caribbean makes clear that the way that governments deliver assistance to the neediest is undergoing a process of transformation. This process has shown that the design of a model for monitoring and impact evaluation constitutes an essential component of any development programme. The model must allow for orienting day-to-day actions toward an objective and for discovering the real impact of an action on the target population – and its final impact at the level of society as a whole. In the wake of this process, it is essential to recognize that all programmes, policies and projects face limits not only in the area of adoption of technology but also at the level of organizational and institutional capacity, marketing and credit, access to resources and risk management, etc. Such limits affect the various stages of any project from design to execution, so analysis should be repeated over time in order to overcome any "compartmentalization" set out in the original project design.

The role of limitations and restrictions are such that their analysis is placed at the heart of food security programmes and projects. It could be said that all actions performed by a project are essentially responses to explicit or implicit restrictions. Note that such an overall vision turns the concept into a powerful tool for implementing development projects.[2]

The key to improving project impact lies in involving in the analysis of limitations, from the very beginning, all relevant actors who share a common "territory": government agencies at all levels, non-governmental organizations, civil society organizations, private enterprise, grassroots organizations and networks.

The analysis of restrictions and limitations must allow for the building of a shared vision of the problems to be overcome as well as the potential of a project. At the same time such an analysis involves identifying a baseline for evaluation. Analyses at the local level should be taken into account to uncover production-level and institutional restrictions, the demand for goods and services, the capacity to communicate that demand and the provision of goods and services that can

[2] From the experience of in Latin America of the FAO Special Programme for Food Security emerges a set of experiences that follow an ordered sequence and serve as elements for an analysis of restrictions: review of secondary material and past experiences; formulation of a plan of action for participation; analyses at various levels (local, regional, national); formulation of a project strategy; development of a logical framework and indicators; and establishment of a monitoring and evaluation system.

be made at the local level. Higher-level analyses should also be incorporated, focussed mainly on institutional arrangements regarding the provision of goods and services, private as well as public. The inputs gathered at this level make it possible to (1) generate an "inventory" of public services provided to rural families in the project and (2) identify opportunities for expanding the project to other areas and "scaling up".

Strategies posed in this fashion have the advantage of separating specific activities aimed at executing a given action (that is, carrying out the strategy) from the ultimate objectives pursued by a development project. As a result, strategies can change constantly over time, but the tools and indicators to measure their impact are held constant during for the course of the project.

The fourth and last change is in relation to rural space and the territorial dimension of development. In recent decades, those trying to implement the prescription of the so-called "Washington Consensus" (privatization, economic deregulation and stabilization), and representatives of civil society opposed to those policies from positions that stress the distributive aspects of development, seem to have joined together in working for decentralization policies (albeit for different reasons). The financial institutions emphasize the importance of an effective and efficient public administration. Many NGOs point out the need to do away with paternalism, corruption and political patronage, and see decentralization as a way to bring about democratization and real citizen participation. The central aspect of a decentralization policy is the redistribution of state power that means – within a democratic general context – returning power in a mutually responsible way to municipalities as well as to civil society organizations and trade associations.

More recently, as a result of the same process of globalization the need has increased for promoting measures focused specifically on reducing socio-economic disparities between regions and cities and optimizing development opportunities. These various measures are now grouped under the term *territorial development policies* or more simply *territorial policy*, and they form a fundamental part of regional development.

Regional policies focus not only on the least favoured regions, but on all regions from the richest to the poorest. The goal is not to attract investment to poor regions through subsidies and other benefits for investors, but rather to assure that all regions are capable of maximizing their development opportunities (endogenous development). In pursuing this goal it is crucial to take full advantage of a

region's strengths, the potential draw of its cities and the development of new assets.

Of course it is not a matter of suspending assistance and compensation for the poorest regions that benefit from "financial equalization", but rather of generating adequate connections and links between those regions that advance at a faster pace and those that do not. **A**nother mainstay of this vision of regional development is the need to involve not only the local authorities but also all members of the community in major decisions. These local supporters are the best means to guarantee that problems are adequately identified, that the solutions adopted are effective and feasible and that the proper priorities have been established.

National competitiveness rests more and more on the strengths and weaknesses of regional economies and on how those subnational territories interact. It is at the local and regional level that possibilities for synergy can be better identified and management/action can be adequately organized. Interactions between economy, environment and society – the determinants of possibly sustainable development – are not uniform across the board.

Two lessons emerge as certainties to orient us in these times of change. The first is that the people, citizens, *el pueblo*, will oppose any transformation from which they are excluded. The second is that this same *pueblo* aspires to change that seeks wellbeing but also cries out for identity. The citizens of the world also want to be citizens of their own area, town, neighbourhood or village.

Santiago de Chile, July 2003

Gustavo Gordillo de Anda
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List of acronyms

ALADI	Latin American Integration Association
CELADE	Centro Latinoamericano y Caribeño de Demografía
CEPAL	Comisión Económica para América Latina y el Caribe
CNDRS	National Committee for Sustainable Rural Development
EAP	Economically Active Population
ECLAC	Economic Commission for Latin America and the Caribbean
FAO	Food and Agriculture Organization of the United Nations
FGRM	Guaranteed Minimum Income Fund
FONCODES	National Compensation and Social Development Fund
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
KILM	Key Indicators of the Labour Market
LAFTA	Latin American Free Trade Association
MERCOSUR	Southern Common Market
NAFTA	North America Free Trade Agreement
NGO	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PATH	Programme for Advancement through Health and Education
PDIC	Integrated Peasant Development Programme

PETI	Child Labour Eradication Programme
PRAF-II	Family Allowance Programme
PROCAMPO	Programme of Direct Payments to the Countryside
PROGRESA	National Programme for Education, Health and Nutrition
PROLESUR	Project on Rural Development in Southern Lempira
PRONAGER	Generation of Employment and Income in Poor Areas Programme
PRONASOL	National Solidarity Program
RLC	FAO Regional Office for Latin America and the Caribbean
RPS	Social Protection Network
SAGAR	Ministry of Agriculture, Livestock and Rural Development
SAGARPA	Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food
UNESCO	United Nations Educational, Scientific and Cultural Organization

Chapter 1

New institutions for agricultural and rural development in Latin America and the Caribbean

Javier A. Escobal

INTRODUCTION[1]

Latin America's rural institutions are at a crossroads. Despite the profound changes of the last decade, many institutions continue to suffer from the inertia associated with the overly protectionist policies that pervaded Latin American agriculture through the end of the 1980s. Although nearly all of the countries in the region implemented adjustment and structural reform programmes – with varying degrees of success – the rural sector generally, and agriculture in particular, cannot be regarded as the most dynamic actors in that process. In many cases, agents and institutions in these sectors confined their activities to defending against deregulation, privatization and streamlining efforts that were affecting all of the region's economies. In other cases, progress was made in establishing more modern institutional arrangements. However, such progress has often proven to be of limited value, inasmuch as it was not based on a rational national institutional structure and did not derive from a national consensus on how best to achieve sustainable and equitable rural development.

Following the poor results achieved in the wake of the structural reforms that dominated the Latin American scene during the last decade, recommendations calling for a "small but strong" state are being called into question more frequently. The pervasion of market failures in the region's rural environment and the increasingly evident inability of non-governmental organizations (NGOs) to serve as substitutes for the state and as sustainable and legitimate promoters of development, has produced a breeding ground for the emergence of voices demanding that the state resume an active role in rural development.

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1 The author is Principal Researcher at GRADE en Lima, Perú. The author would like to acknowledge the comments on an earlier draft of this paper provided by Benjamin Davis, Ruben Echeverría and Maria Grazia Quieti. The author is responsible for any remaining errors and the views expressed in this paper.

The emergence of rural institutions to take up the much-needed functions left unattended by the state has been slow to occur and, where it has occurred, has not necessarily benefited the rural poor. Some authors, such as de Janvry, Key and Sadoulet (1997), view this process as part of a transition from a structure based on state institutions to one based on the market and the private sector – a process whose slow pace has had a negative impact on the neediest segments of the rural world. Others, such as David, Dirven and Vogelgesang (2000), suggest that this withdrawal of the state was too extreme, leaving gaps that could never be filled by private agents. Issues that remain to be evaluated include an assessment of the functions that the state actually carried out prior to abandoning the field and the possibility that, in many rural areas of Latin America, when the state did play a role it was often co-opted by a local elite to the detriment of the majority of the rural population. Given the realities of rural Latin America, instead of "filling the gaps left by the state" or "handing back to the state functions it should never have abandoned", the point may be to construct for the first time a system of institutions that foster rural development.

In a recent document, Piñeiro *et al*. (1999) review the recent history of the reforms of the agricultural public sector in Latin America, giving a more balanced view of the role of the state than the one prevailing in Washington circles in the 1990s. The authors analyse the first wave of reforms and the current second wave and explore a much-needed third wave. They link institutional aspects with the effectiveness of policies, programmes and projects financed by the public sector and try to tackle the issue of how to improve public sector management and capacities in order to complement private sector activities. Although the focus of this work is more on agricultural than on rural institutions, the approach is very much in line with what we try to pursue here. This chapter can be seen as an extension of their analysis to the broader issue of rural institutions.

In analysing the relationship between institutions and rural development, it should be stressed that Latin America's rural population is mostly poor and immersed in an environment marked by uncertainty and risk. Despite the urbanization of recent decades, a significant portion of Latin America's poor continues to live in rural areas. In Colombia, for example, where 35 percent of the population is rural, nearly three-fourths of poor people live in rural settings. In Mexico, where 25 percent of the population is rural, 57 percent of those living in poverty inhabit rural areas. In Brazil, where 18 percent of the population is rural, 40 percent of the poor inhabit rural areas, while in Peru, where 28 percent of the population is rural, 41 percent of the poor are rural. Moreover, a number

of studies, including Valdés and Wiens (1996) and Altimir (1994), indicate that in the case of the extreme poor (those who are unable even to meet their basic nutritional needs) the figures are even more dramatic. Depending on the country, between 50 and 80 percent of those living in extreme poverty in Latin America live in rural areas.

What institutional structure, then, would best serve the needs of Latin America's rural sector? Clearly, there is no simple answer, nor one that is universally applicable throughout the region. Any proposal attempting to achieve such universality would be of little practical use. Nevertheless, certain common features can be outlined, based on the make-up of the region's rural setting, its institutions and prevailing economic and social trends. Institutions are social constructions and as such are very much endogenous; we reconstruct them continuously through conscious efforts as well as unintentional events. Although we recognize here that there are obvious limits to the intentionality, prediction and control of any process of institution building, a conscious leadership backed with suitable policies can do much to nurture a process of collective construction of those institutions needed to foster a sustainable and equitable rural development in Latin America.

The chapter continues with a section on conceptual issues in which we define the concept of institutions, what constitutes an institutional failure and the elements of an appropriate institutional framework. There follows a stylized description of rural society and of the development of rural institutional arrangements in Latin American and the Caribbean; the section includes an analysis of why institutions in Latin American and the Caribbean are in general unresponsive, as well as a description of the crisis of governance in the region. The next section focuses on institutional innovations and the elements of a new institutional framework for rural development in the region. The final sections provide suggestions for future research and concluding remarks.

Conceptual issues

"Institution" in its most general sense refers to different types of organizations, markets, contracts, cultural norms and informal or formal rules that define rights of access to goods and services, as well as access to the management of a given space or to its natural resources.[2] Thus:

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2 In this regard, see Hatzius (2000) and Kähkönen (1998). Although our definition of institutions is broad enough to cover "organizations" (i.e. groups of individuals bound by some common purpose to achieve specific objectives) in order to contribute to policy research, we will be differentiating where appropriate between organizations and other types of institutions.

- Institutions facilitate decision-making and coordination between individuals, reducing uncertainty regarding how others will behave.
- Individuals perceive institutions as resources (potential benefits) or as restrictions (potential costs) depending on their interests, ways of thinking and cultural framework.
- Institutions provide incentives or disincentives to individuals. In the case of markets, these are economic incentives that have been fairly well quantified. In the case of institutions outside the market arena, the incentives are more qualitative or, in any case, more difficult to measure.
- Institutions as regulatory systems are costly to establish, reform, monitor and empower.

The development of institutions is a process that is clearly endogenous to the actual economic and social development of a country or region. Institutions affect how assets are distributed in a society; at the same time, however, ownership and access to assets influence how institutions act and develop. Therefore it is impossible to create new rural institutions without simultaneously acting upon the structure and distribution of assets within rural society.

Market, state or institutional failures?

Hatzius (2000) proposes four types of institutional failures. The first two relate to public goods and the presence of negative externalities and are treated as market failures in the neoclassical economic literature. Market failure associated with public goods concerns situations in which the good or service is not provided through the market in a manner that provides optimal social benefit due to the nature of the good (the impossibility of excluding third parties acts as a disincentive to optimal production) or to the fact that the level of investment or the associated risk is very high. The optimal institutional arrangement may involve the public provision of the good, or it may involve local organizations working collectively – organizations that may be as effective as the state in providing the good or service.

Market failure associated with negative external factors concerns costs to the society that are not incorporated in the market price of the good or service, hence producing greater than optimal use. A typical example is the over-exploitation of natural resources. The optimal institutional arrangement, in this case, could involve taxes or subsidies to internalize the externalities or, alternatively, the introduction of regulations governing the management of the resource (particularly in the case of collective ownership of a given resource).

The other two types of institutional failures are outside the conceptual framework of neoclassical economics, which focuses on resource-allocation efficiency. The third type of institutional failure relates to the inability of markets to resolve on their own problems of poverty and equity (issues not usually viewed as "market failures" in the strict sense). The optimal distribution of property rights or the need for winners to compensate losers are typical examples. A broad range of institutional configurations, combining collective efforts by public agencies with civil society organizations, are usually considered to be responsible for ensuring equity, sustainability and consensus among the affected parties.

Finally, the fourth type of institutional failure relates to the assumption that competitive markets are associated with perfect information. The problems of asymmetries in the distribution of information and the existence of transaction costs (i.e. costs of information and of preparing, monitoring and enforcing contracts) are typically studied in the context of institutions beyond the market sphere, representing a set of problems requiring specific institutional measures.

Taking into account these institutional imperfections and market failures, an institutional framework compatible with sustainable, equitable rural development should include at least the following two elements:

- A system of allocating well-defined and transparent rights and responsibilities, including procedures to monitor and enforce agreements.
- Effective and efficient markets in the framework of a complex organizational arrangement that includes networks, coordinating bodies and secondary organizations that facilitate collective action and reduce transaction costs between the different individuals and interest groups.

The importance of institutions in rural development has long been recognized by decision-makers in Latin America. It has also been recognized by those implementing public policy that institutions are not "free" goods – i.e. they are costly to establish, reform, monitor and empower. What is lacking are operational mechanisms to evaluate and compare the effectiveness and efficiency of institutional arrangements in providing public goods and services in Latin America's rural areas, with particular attention to serving the rural poor.

Experience seems to suggest that there is no single institutional solution when it comes to resolving problems of inadequate access to public goods and services, correcting negative externalities, promoting more equitable arrangements or rectifying asymmetries in access to information and power.

The role of the market on the one hand, and of the state (or collective action) on the other, poses what is clearly an empirical question. The answer depends on the geographic and cultural context and the point in history at which a specific organizational arrangement – one designed to provide a specific public service or good or to manage a resource – occurs. What seems clear is that regardless of the institutional arrangement, it must be "validated" through some participatory system that ensures sustainability.

Defining rurality

For the purpose of this paper we have preferred to define rurality in a rather loose way, trying to capture the idea of all activities in the rural space including agriculture, agrobusiness, rural education, infrastructure in villages and secondary towns, financial services, municipal development, etc. As discussed more in depth in this volume's chapter by Graziano da Silva, the statistical agencies of most Latin American countries define rural areas as those having less than a certain number of dwellings or inhabitants. However, focusing on such a quantitative approach is not useful for our purposes.

Instead, following the renewed interest by Latin American scholars in the European experience of rural development with its focus on collective territorial resources as the core of endogenous development, we will be looking at rural development within a territorial rather than sectoral framework. Here rural development is contextualized by focusing on the needs, capacities and perspectives of local people. Rurality encompasses the entire range of actors linked to local communities in which low population density prevails, affecting communication and transport patterns, social network composition and the availability of specialized services.

Analysis of rural institutions in Latin America: stylized facts

The attempt to develop rural institutions in Latin America in recent decades – and the type of institutions developed – grew out of a change in the rural development paradigm that occurred beginning in the 1970s. The "new" consensus was based on an integral approach that incorporated the participation of the beneficiary population in planning, executing and maintaining public projects. Coombs (1980) argued that this consensus was aimed at: meeting the basic needs of the rural poor, with special attention to women, children and disadvantaged minorities; increasing rural employment and the productivity of small producers and other rural workers; and securing the full participation of the rural poor in the development process as well as the equitable distribution of benefits.

At the institutional level, this consensus broke from the belief that the most efficient and effective way of organizing and providing rural services was to separate actions according to the sector involved, each with its system of independent supply across rural areas, administered by specialized ministries and their subdivisions in the capital city. Specialized and centralized programmes of this type suffered from a number of problems, including:

- the costs of maintaining vast centralized bureaucracies;
- the costs resulting from duplication of efforts (due to lack of coordination between programmes and sectors);
- poor targeting;
- a paternalistic and authoritarian tone which led to reinforcing a sense of dependency and undermining the self-confidence of beneficiaries;
- a fragmented and myopic conceptual approach on the part of authorities, who ignored the complementary and interdependent needs of the beneficiaries and thereby undermined the functional relationships between the various sectoral actions and between a programme, its beneficiaries and the socio-economic environment; and
- a top-down approach that created legitimacy problems for institutions.

In the course of the last three decades, a number of different institutional arrangements have played out in the context of this consensus. As indicated by Campos (2000), many developing countries continue the search for an institutional scheme that will help in the "management of social conflicts". While the institutional framework in developed countries evolves very slowly, the change in institutional arrangements often occurs more quickly in developing countries.

As part of these institutional changes, numerous programmes have emerged which were designed to foster a decentralization of resources and decision-making so as to generate new systems of planning and coordination calling for leadership roles by state and municipal governments, as well as by project beneficiaries. Examples of such programmes include the Integrated Peasant Development Programme (PDIC) in Colombia, the National Solidarity Program (PRONASOL) in Mexico and the National Compensation and Social Development Fund (FONCODES) in Peru. These demand-driven programmes brought together the local population in order to channel social demand for projects to be financed by the programme, as well as to establish a rapport with the municipal authorities responsible for managing the funds, setting priorities and coordinating the works

to be carried out. Although several of these programmes subsequently suffered from political biases during their execution, they were broadly recognized as good practices during the first stage of their implementation.

Institutional arrangements that assign resources in response to community-organized demands without having clear targeting mechanisms may fail to reach the poorest segments of the rural sector. This targeting bias may occur within a community or between communities. It will occur because the poorest among the poor may not be able to respond to these demand-driven initiatives. As Escobal and Ponce (1999) point out, this may have been the case of projects like PRONASOL in Mexico. Other projects like FONCODES in Peru were able to develop simple mechanisms to elicit the preferences of such groups.

A number of authors have shown that rural inhabitants in general, and those depending on agriculture in particular, are capable of promoting their own interests if they are able to build institutional networks or if they succeed in forming collective organizations. Producers' associations, water management organizations and credit unions are just some examples of these efforts. In other cases NGOs, financed by international cooperation, have acted as the "representatives" of rural society. In some cases, such as those mentioned by Preciado (2001) or Zaidi (1999), these institutions have become key political actors in the rural development of certain countries. These institutions have emerged strengthened as they assumed those responsibilities that the state was leaving behind.

However, for most of these institutions, replicability, sustainability and legitimacy have been major challenges that they have been unable to address for the most part. For example, it is now recognized that the role NGOs were expected to play was unrealistic, and that the hope that they would, in time, replace the state in meeting local needs formerly provided by the state was illusory. The growing role given to (or, rather, left to) civil society and NGOs has constituted a major challenge for the latter. As Bebbington (1997) notes, NGOs are experiencing a crisis in terms of institutional identity, legitimacy and sustainability after recognizing the low effectiveness of their efforts to impact rural poverty in recent decades.

Heterogeneity of the rural world

Latin America's agricultural and rural sectors are unquestionably heterogeneous, both from one country to another and within individual countries. There are, however, certain common features that, while not applicable to all agricultural and rural settings in the region, do represent a significant portion of Latin American rural society:

i. Fertility rates, though declining over time, remain high. The rural poor tend to have larger families than the rural non-poor and the urban poor. Empirical evidence suggests that family size is a cause, not a consequence, of poverty.

ii. Lower rural incomes are associated with greater dependency rates (a greater ratio of non-working family members to working family members).

iii. Demographic composition in terms of age and gender has changed. Today's rural population is older than 20 or 30 years ago, and the average age of the rural poor tends to be higher than that of the non-poor rural population. Moreover, there is evidence, described in this volume's chapter by Katz, that agricultural activities are becoming increasingly feminized.

iv. Low-income rural inhabitants tend to have lower levels of education and their children have lower school attendance and a higher drop-out rate.

v. While not all rural poor belong to indigenous groups, the majority of indigenous persons in Latin America are poor. Controlling for other factors, individuals whose mother tongue is an indigenous language are more likely to be poor.

vi. Access to public infrastructure (e.g. roads, telecommunications) and to public services (particularly electricity and basic sanitation) varies greatly among regions and countries.

vii. The assets (particularly land) of most rural poor are not protected by secure ownership rights or, where these rights are secure, are subject to higher transaction costs.

viii. Lack of access to key assets has driven poor farmers to marginal and fragile lands, exacerbating the vicious cycle between poverty and natural resource degradation.

ix. The majority of poor farmers lack the human, financial and natural resource assets necessary to participate in market-based diversification.

x. Many rural poor depend on poor quality rainfed agricultural land.

xi. Lower-income rural settlers have lower health indicators – in particular, higher infant mortality rates and higher levels of chronic malnutrition.

xii. The importance of non-agricultural rural income has increased substantially. Most rural poor tend to have a diversified income portfolio both in terms of agricultural and non-agricultural activities and within each category, with

the mix varying according to the quantity and quality of public and private assets at their disposal.

xiii. In spite of having an increasingly diversified income portfolio, rural incomes are often highly unstable and the rural poor lack access to effective safety nets.

xiv. Among the rural poor, subsidies compose a greater share of their incomes as poverty becomes more severe.

This description of the rural structure of Latin America should be viewed in a context in which, as noted by Gordillo de Anda (1997), the Latin American economic paradigm is being remoulded. The chief features of this change include: (a) a more competitive environment; (b) greater interdependence between macroeconomic policy and sectoral policies and performance; (c) a more integral approach in which agricultural activities go beyond mere primary production; (d) an increasing division of labour and specialization, with contract agriculture and producers' associations gaining increasing importance; (e) a greater share of both time and income of the rural population occupied by non-agricultural rural activities; and (f) increased importance of factors associated with natural resource conservation.

A description of rural institutions

At the institutional level, David, Dirven and Vogelgesang (2000) show clearly how during the last two decades policies directed at the agricultural sector were linked to a development paradigm in which the market and the private sector played the leading role, while the state was obliged to limit its participation to productive activities. In nearly all countries, this meant a dismantling of the state's marketing apparatus, a scaling back or elimination of development banks, a drastic reduction in research and extension activities and changes in regimes governing ownership of land and water. The authors themselves acknowledge, however, that many of the reforms directed at the agricultural sector were implemented later than reforms in other sectors of the economy – and even then, only partially.

Despite these trends and the policy changes they engendered, rural institutions have remained unchanged in many critical respects. Among these are:

- Latin American agricultural institutions have tended to devote more attention to protective structures than to seeking greater efficiency in competing in the increasingly global environment.
- Public bureaucracies have opted for excessively regulatory systems rather

than flexible structures that promote increased investment in the rural sector. This is particularly evident in institutions that regulate the system of land tenancy, though it can also be seen in institutions that regulate access to forestry resources and water.

- These same bureaucracies have failed to simplify the regulatory structure that should enhance the link between economic agents involved in the rural sphere. As Gordillo de Anda (1997) suggests, these structures have kept the rural economy isolated from market signals.

One of the bureaucratic problems associated with rural organizations is a lack of continuity, particularly in regards to leadership. The ministers and top directors of the organizations connected with the rural world are constantly being rotated for political reasons. Further, as Piñeiro *et al*. (1999) point out, central bureaucracies in charge of the agricultural sector in Latin America have gone through a process of reforms that in most cases imply downsizing without a clear idea of what their role may be in the new economy that emerged after the liberal reform of the late 1980s and 1990s. Winters, Corral and Gordillo (2001) note that it is difficult in these circumstances to establish long-term relationships that could help build the social capital needed to create sustainable rural development.

Why are rural institutions unresponsive?

Although there are many reasons Latin American rural institutions have failed to successfully deal with the challenge of rural development, the following may be the most critical:

- inadequate provision of public goods, which limits the effectiveness and efficiency of these institutions;
- dissociation between the costs and benefits of the rural development efforts they undertake;
- asymmetry in the distribution of information, which hinders the democratization of decision-making and the establishment of effective mechanisms to enhance accountability;
- high transaction costs, which make it difficult for rural actors – especially the poorest – to participate in institutional arrangements as well as in the markets for goods and factors.

These basic problems, common to most if not all Latin American rural institutions, lead to opportunistic behaviour on the part of individuals and

institutions, produce ample opportunities for private appropriation of public goods and foster corruption and individual rent-seeking rather than promotion of the common good. The problems of asymmetry or absence of information, along with high transaction costs, can also be seen in the lack of coordination between the various regional and local organizations and between these organizations and the national government. They also are reflected in the inflexibility of national, regional and local bureaucracies and in their inability to adapt rapidly to changes in rural areas.

At the national level, there tends to be a lack of coordination between ministries. Agricultural ministries generally regard rural development as a strictly agricultural issue, thereby hindering coordination with the other ministries that also play a significant role in questions of rural development. Smith (1997) documented various studies suggesting that the provision of local public goods is given insufficient attention by the central government. So it is that local rural infrastructure – such as the construction and improvement of rural roads, the establishment of small rural electrical power systems or the provision of drinking water on a small scale – is a priority for localities that lack such services, but is ultimately far less important to institutions within the national hierarchy whose priorities are based on the demands of more powerful interest groups.

None of the four reasons cited (insufficient public goods, dissociation between benefits and costs, asymmetries of information and high transaction costs) can be remedied by exclusively market-based solutions. According to Bardhan (1996), successful cases of development in Asia would suggest that the state plays a much more active role than that ascribed by the "Washington Consensus". Such intervention, in the form of regulation, allocation of credit, industrial promotion and the creation of a development bank, have strengthened rather than replaced the market, leading to coordination in the public sector through an explicit structure of incentives.

Why do bureaucracies fail to function properly?

For Johnson (2000), "Political decision makers do not try to obtain what they want, but rather, learn to want by valuing what they obtain." Since the process of formulating and implementing policy is complex, attention must be given not only to the institutional structure but also to the behaviour of the social actors who interact with those structures. Such behaviour is associated with what has come to be known as governance.

Governance is a central concept that should be a part of any examination of new rural development institutions in Latin America. The concept of governance

has five key institutional dimensions (World Bank, 1994): the executive, the bureaucracy, the rule of law, the nature of the policy formulation process and civil society. Good governance means that the executive branch of government is responsible for its actions (accountability) and the bureaucracy is efficient and sensitive to the needs of society. The legal framework should be capable of adjusting to circumstances and should have consensus support. The process of formulating policy should be open and transparent, so that all affected groups can express their opinions on decisions. Lastly, civil society should be strong enough to be able to participate actively in public affairs, helping to transform a top-down structure into a more democratic and endogenous institutional framework.

Rural institutions in Latin America face a crisis of governance. In general, the executive branch has not succeeded in building consensus regarding the basic strategies for achieving sustainable rural development; the bureaucracies are, in many cases, inefficient and, in others, face constant efforts by interest groups to assume control. Moreover, bureaucracies that operate these institutional structures suffer from the dilemma of those who attempt to isolate themselves from political power, guaranteeing them greater short-term effectiveness but, typically, at the cost of less accountability.

How can this crisis of governance be overcome? Again, greater transparency and a structure of clear rules, in place of discretionality, are key building blocks for the new types of institutions. However, as noted by Bardhan (1996), in the medium term this type of structure can rob bureaucracies of the flexibility needed to deal with an environment of uncertainty.

Failures at the local level

Along with institutional failures in the national government, there are also failures in regional and local governments. Such failures are typically ignored by those who prefer to see decentralization as a panacea rather than as a challenge. As suggested by Bardhan (1996), the state-market debate, the lack of capacity for accountability and the question of legitimacy of local governments are generally not taken into account. In other cases, such as that of Mexico, Fox (1995) suggests that often, despite the fact that the Government indicated clearly the need to establish accountability mechanisms, these were ineffective as long as there was no attempt to change the national power structure toward more democratic structures.

Bardhan (1996) provides evidence suggesting that local institutions work better when their asset-ownership structure is not concentrated in a few hands. Policies and programmes that seek to equalize opportunities contribute to a

virtuous cycle involving better institutions and better distribution of wealth. As Bardhan points out, the relationship between distribution of wealth and successful collective action is an area of research that, to date, has received too little attention. The cost of administering certain institutional arrangements is greater in environments marked by greater inequality in the distribution of wealth. In this context, the policy prescription would be very different in countries with more egalitarian income distribution, such as Chile or Costa Rica, compared to countries such as Haiti or Brazil.

Critical factors in building a new institutional framework for rural development in the region

Before outlining a number of guidelines for constructing a new institutional framework for the rural sector in Latin America, it is worth emphasising the argument of Gordillo de Anda and Farcas (2000) that redesigning the institutional fabric in order to foster sustainable rural development requires a social pact at the national level that reconciles the interests of different social groups. This pact must seek to link rural and urban sectors, rather than merely focusing on rural development in a limited sense. Such a pact must allow for the creation of institutional arrangements that enhance the potential of markets, while at the same time developing empowering mechanisms for cooperation and joint participation by different social actors. Building this social pact and the new institutional arrangements which arise requires macroeconomic stability, and conversely macroeconomic stability should be reinforced through such a pact.

Strategic pillars: reducing uncertainty and risk while combating rural poverty

One of the central characteristics of inhabitants in rural areas in Latin America is that they generally have very limited capacities to consolidate risks and mobilize resources for risky but highly profitable investments. Rural households are unable to deal with an economic environment characterized by risk and uncertainty due to limited financial and productive assets, low levels of technology, lack of access to insurance and credit and weak enabling institutions. A strategy for building new rural institutions must be aimed at reducing the vulnerability of Latin American rural households to risk and focusing attention on the poorest segments of the population. Such institutional development must allow for the construction of a stable but flexible regulatory structure, while fostering economic and social interaction within the rural sector.

Rural areas deal with this environment of risk and uncertainty with a set of institutions, many of them informal, which constitute a major part of its social

capital. The problem with these institutional arrangements is that they more typically take the form of social safety nets rather than networks for building productive assets. One of the most important challenges faced by policy is to transform these institutions into true assets that may foster better linkages with markets.

These institutional innovations must be framed within a context in which rural development policy is a state policy – that is, a policy based on a consensus broad enough to guarantee continuity. Moreover, institutional structures must adopt policies aimed at implementing specially designed programmes or interventions targeted at combating rural poverty. As indicated in the previous section, rural households have a highly heterogeneous structure in terms of assets and capacities and employ diversified income generation strategies. Therefore the content of projects, programmes and public interventions must be designed to include a major local component, so that the intervention can be adapted to the particular context in which they are to be applied.

Public investments need to have a key role in this institutional transformation. Active policies to equalize opportunities through investment in public goods and services by helping establish a more equitable rural sector would enhance democratization of the rural sphere and increase opportunities for cooperation and consensus building.

Core elements of a new rural institutional framework

One critical element in designing a new institutional framework for Latin American rural development is the need to maintain an inclusive approach. Any rural development strategy that ignores the key actors – their interests and conflicts and their preferences for certain institutional frameworks – will have difficulty achieving success. Following the thoughts of Hatzius (2000), it is necessary to develop a broader range of institutional configurations combining the collective efforts of public agencies with civil society organizations in order to ensure more equitable, sustainable and mutually satisfactory relationships among those involved in rural development. The element of inclusion refers not only to individuals and formal organizations, but also to informal and traditional rules. This inclusive approach will work only if the prevalent top-down institutional design is replaced by a more horizontal and democratic approach.

The gender dimension constitutes a second element. While women currently play a fundamental economic and social role at the household and community level, without specific provisions for their incorporation women tend to participate less in rural development programmes. The new generation of social safety nets in Latin American and the Caribbean which specifically target women

as beneficiaries, described in further detail in the chapter by Davis in this volume, is a move in the right direction. Further, before establishing a specific programme, it would be wise to include appropriate representation of the interests of all actors, both men and women, at the local, regional and national levels.

A third element is the existence of an authority that ensures and respects the rights of rural actors, while at the same time observing and enforcing established rules. The more such an authority is able to reduce the risks associated with establishing more complete and complex contracts between actors involved in the rural sphere, the greater will be the possibility of laying the foundation for more sustainable and equitable rural development.

A fourth element is a network of organizations that facilitates collective action and reduces transaction costs between different actors. The fewer the number of restrictions on the participation of the poorest and weakest in the rural market for goods and factors, the more these institutions will be able to increase well-being and be socially sustainable.

Reducing problems of information asymmetry is also a key to building more solid, effective and legitimate rural institutions. As part of this process, it is vital to improve the links between local, regional and national institutions. As has been pointed out by de Janvry, Key and Sadoulet (1997), these links help to reduce transaction costs, diversify risks and increase access to broader markets. Finally, as de Janvry, Key and Sadoulet (1997), Hatzius (2000) and others have suggested, it is essential to identify transaction costs that interfere with establishing more fluid rural institutions. The reduction of costs for obtaining information, negotiating contracts and monitoring compliance with such contracts would allow for the emergence of specific institutional arrangements to solve problems in individual rural localities, without the need for a generalized prescription.

The voice of the poor

The difficulty of attending to the needs of the poor using formal institutional arrangements is being increasingly recognized (Salmen, 1990). So it is no surprise that many international institutions have directed their attention at institutional structures that allow the "voice of the poor" to be heard. The idea that it is indispensable that beneficiaries participate in the preparation, design and implementation of rural development projects and programmes constitutes a key principle. However, in order for this participation to move from being merely a democratic gesture to a full institutional arrangement, rural actors must be provided with the capacities and instruments to make their voices heard.

The poor have already their own "access institutions". In fact, "the voice of the poor" differs from participatory approaches by focusing on what is normally not said and by allowing singular points of view to emerge. "The voice of the poor" is recognition that knowledge is fragmented. It should not therefore be intended as an intentional way of facilitating the participation of the poor in development but rather as acknowledging and valuing the poor's own institutions.

Although many of the key proposals for sustained rural development are relatively uncontroversial (more and better services in education, health, communications infrastructure, etc.), the priority given to these investments does not always lead to an appropriate allocation of public funds. The absence of strong rural institutions and of opportunities for potential beneficiaries to have sufficient political representation has meant that, in practice, such investments are assigned less importance compared to other investments that are perceived by politicians as more profitable in garnering votes. A more inclusive institutional structure should make it possible to break this process of rural marginalization on the national political scene.

Institutional arrangements and incentive structure

Proposals for institutional arrangements need not be neutral in terms of an incentive structure. In fact, a neutral scheme tends to favour those with more assets and better access to public goods and services. Therefore, Latin American rural institutions need to be structured as a mechanism for creating equality of opportunity. How, then, is one to establish contractual arrangements that provide appropriate incentives? This could be done by achieving greater participation in financing activities linked to rural development, in order to create a sense of ownership in the local community and a willingness to share responsibilities for the operation and/or maintenance of the investments carried out. Participation of the beneficiaries in selecting, implementing, supervising and financing projects ensures that the investments actually address local needs, generate savings and increase local responsibility for the actions undertaken.

One example of this incentive-compatible structure is provided by the PDIC in Colombia. This programme focused on improving the income-generating capacity of participating communities, based on a system of identification and priority checking of community needs based on municipal participation. Through requiring co-financing the programme developed an incentive structure that helped trigger a more efficient behaviour on the part of local stakeholders.

In order for the rural sector to be able to respond to the incentive structure underlying new rural policies, the capacities of the rural population – particularly the poor – and of the associated institutions need to be enhanced. This means improving the allocation of individual, household, organizational and community assets within the rural environment. It is essential, however, to have an appropriate social and institutional environment to initiate this process. As indicated by Berdegué, Escobar and Carney (1999), it is impossible to create a process of innovation in the rural sector without economic growth, dynamic and competitive markets, sound institutions, peace, tolerance and respect for individual and collective rights.

At the same time, the public sector could benefit from incorporating certain practices common to the private sector. One example involves establishing competitive funds for allocating resources in different areas of responsibility (research, technology transfer, tertiarization of public services, etc.). Gill and Carney (1999), quoted by Berdegué, Escobar and Carney (1999), suggest that competition for funds functions properly when: (a) there are sufficient research and development capabilities; (b) the government leads the process of institutional reform toward tertiarization of service, with a clear sense of priorities; (c) those who manage the funds do not implement projects; and (d) management is sufficiently broad-based so that no single individual interest predominates. These competitive funds tend to have a public goal for the project but look to the private sector for a more efficient management structure to achieve that objective. The fund may introduce a subsidy (private firms bid for the lowest subsidy) to generate the proper incentive structure.

However, there are limits to developing structures based on competitive funds. As indicated by Gill and Carney (1999), as well as by Huffman and Just (2000), the fact that competitive funds produce short-term results, along with the need to reduce uncertainty in certain types of spending (such as research and development), suggests the advisability of combining competitive funds with institutional arrangements that require greater state participation.

Flexible institutions to carry out a diverse range of policies

There have been increasing calls for diversified policies to deal with the heterogeneity of Latin America's rural society. As suggested by de Janvry, Key and Sadoulet (1997), this differentiation could be justified both in terms of efficiency (to address varying market failures) and in terms of equity, if the state decides to intervene to correct detrimental distributive effects. However, it should be recognized that policies can have different impacts either because

a given policy has different effects on the various economic agents, or as the result of the existence of differences in policies, programmes or interventions.

There is broad consensus on the inadvisability of using non-differential or universal policy instruments – both macroeconomic, such as exchange rates, and sectoral instruments, such as price supports – to benefit specific segments of the population, due to the leakage of benefits to unintended third parties. Instead, decentralization and the increased participation of social actors within the rural environment opens up major opportunities for rural institutions to employ differential types of interventions, given their enhanced capacity to target the benefits of such policies (such as by excluding those who are not entitled to the benefits).

As noted by de Janvry, Key and Sadoulet (1997), such policies should be consistent with regional and national policies, and interventions should be monitored to prevent the improper diversion of funds within the community based on the local power structure and to the detriment of the poorest groups. The use of co-financing mechanisms, along with active participation by the community and NGOs in decision-making regarding implementation of these various interventions, can reduce these risks. Further, differentiation implies poverty targeting if the poorest segments of the population are to be served. Mechanisms for targeting should be explicit and verifiable and based on objective criteria.

There is ongoing tension between the need for flexible institutions that can adapt to the conditions of a particular environment and the need for solid, stable institutions. For example, the lack of flexibility and capacity on the part of many regional or local institutions has often served as justification for national governments to circumvent these bodies and instead deal directly with the beneficiary institutions or individuals. This type of action, while it can produce short-term benefits, severely affects the viability of local institutions. Heidhues, Karenge and Schäfer (1999) maintain that aversion to change can also be considered to be a positive factor if it leads to the stability and permanence necessary for gaining social acceptance. The constant flow of information between institutions and their potential beneficiaries serves to alleviate the tension between the need for flexibility and the need for stability.

Differentiating between public spending and the public administration of expenditure

The public budget is, in and of itself, an institution. The set of rules and regulations (written and unwritten) that determine the manner in which public

spending is allocated is a matter of vital interest to rural institutions. The budget represents simultaneously the political resolve of the state and the real priority given to the rural sector. Recent works prepared by FAO (2001) show that while most of the 12 countries studied increased public spending to the rural sector between 1995 and 2000, this spending still represents a small portion of the overall budget. Only Mexico shows rural spending that consistently represents more than 8 percent of total public spending for a prolonged period, while the median spending for the countries analysed is 2.5 percent.

The study also shows how public interventions in budget and public spending reflect inconsistency in terms of a strategic sectoral or national approach. Therefore it is not surprising that there should be a great dispersion in programmes and projects. There is also a clear failure to develop appropriate institutional arrangements to facilitate negotiation between the various sectoral actors and decision-makers involved in implementing the public budget, as well as institutional arrangements that ensure efficient management and control of public resources. More serious is the fact that most of the studies conducted under this initiative conclude that a major portion of the resources are directed at programmes with dubious social benefit.

Complementarities of public interventions

The importance of the allocation and complementarity of assets (physical, public and human and social capital) in determining strategies for generating income and raising the living standards of the rural population is widely recognized. Evaluating the efficacy of institutions in terms of a specific geographic impact provides a highly useful approach to gauging the direct and indirect impact of different projects and programmes interacting simultaneously (see, for example, Escobar, Milicevic and Berdegué, 1999). One of the main conclusions to be drawn is a recognition of the importance of the complementarity of institutional arrangements in the success of individual actions undertaken.

The positive impact of demand-driven institutional arrangements may be limited by the lack of a coherent strategy that contemplates the overall benefit of complementary interventions. This seems to be the case with otherwise good initiatives like those promoted by PRONASOL in Mexico or FONCODES in Peru (as noted in Escobar et al., 1999). Further, there is still little experience in developing good evaluations of rural investment in complex or multi-objective projects. In order to pursue rural strategies that privilege complementary investment interventions, the importance of evaluation needs to be recognized and evaluation capacity needs to be developed. This idea is discussed more fully in the chapter by Davis in this volume.

Decentralization: potential and limitations in promoting rural development

The uncertainty and risk that characterize Latin America's rural environment, as well as the differences in geography, history, ethnicity and access to markets, public services and infrastructure, account for the complexity of local responses and the great diversity of activities they generate. In light of this (and as indicated earlier), there is a need for flexible institutions able to carry out a range of policies with knowledge of the local circumstances. Such flexibility is often difficult to find in centralized structures.

The decentralization efforts that have become more widespread in Latin America during the last several years are a response to democratization initiatives as well as to recognition that national bodies often lack the capacity to deal with the challenges of local development. The transfer of responsibilities to sub-national bodies is justifiable in terms of efficiency and equity. However, what to transfer and how to accomplish this are questions still in the process of being resolved. As indicated by de Janvry, Key and Sadoulet (1997), there is little doubt that functions that can be carried out at less cost, with higher quality and more participation, should be transferred. The more involved the local actors are, the greater is the chance that the resources will be managed more efficiently.

However, the lack and asymmetry of information (as described in the previous section) prevents the development of transparent local oversight mechanisms to enhance the efficiency gains that should logically result from decentralized institutional arrangements. According to Van Zyl *et al.* (1995), greater decentralization – both in the fiscal realm and in regard to decision making on national investment directed at the regional and local levels – is essential in order to ensure management that is more efficient and more transparent to local users. However, although decentralization offers the possibility of creating an incentive structure that addresses local needs, such efforts are not a panacea. Decentralization must be supplemented by mechanisms to enhance coordination with the national government, both to ensure consistency with regional and national policy and to prevent the risk (indicated earlier) of strategic local allocations based on the local power structure working to the detriment of the poorest groups.

Step by step

Despite broad recognition of the difficulty of building institutions and the need for flexible structures, in practice institutional changes in Latin America's rural

sector have occurred in spurts, in response to abrupt changes in the alignment of forces among social actors. The idea of introducing a scheme for gradual institution-building is critical, although there are very few cases – one such being the Project on Rural Development in Southern Lempira (PROLESUR) in Honduras, reported by Winters, Corral and Gordillo (2001) – where this has been put into practice. After meeting its initial objective (improve the production of staple crops), the project expanded to other agricultural activities, including production of animal products and horticulture and ultimately non-farm activities such as the processing of agricultural commodities. Constructing institutions little by little, building upon previous successes and taking into account prior failures, would foster a long-term approach not generally seen in the region.

This is a valid approach not only for building organizations, but also for designing and implementing programmes, projects or interventions. It is advisable to begin with a pilot programme, including a well-designed evaluation (again as described in the chapter by Davis), and learn from experience before expanding to a regional or national scale. In order to institute this in daily practice in Latin America's new rural institutions, it is necessary to build consensus regarding the legitimacy of the actions undertaken by employing a long-term approach. A number of examples of this approach are discussed in the chapter in this volume by Davis, including the National Programme for Education, Health and Nutrition (PROGRESA) in Mexico, the Family Allowance Programme (PRAF-II) in Honduras and the Social Protection Network (RPS) in Nicaragua.

Some positive experiences

Several institutional experiences bear more detailed examination in order to determine whether they are replicable in other rural settings in Latin America. In terms of large projects aimed to the rural sector we should mention two. One is the experience of PROGRESA in Mexico; the second is that of the Rural Social Welfare System of Brazil. The first of these is an education, health and nutrition programme, created in 1997, whose ultimate objective is to stimulate (on the demand side) investment in human capital in the country's poorest localities and households. It attempts to break the inter-generational cycle of absolute poverty associated with high levels of fertility, malnutrition, infant mortality and school desertion, factors that are especially important in Mexico's rural areas. PROGRESA's guidelines reflect the effort to systematize previous experiences and incorporate new approaches more compatible with sustainable rural development, such as: targeting of actions; viewing families as the medium for united action; employing a gender approach; co-responsibility;

providing structural help rather than aid; promoting participation by the community and by local officials in planning and monitoring; utilizing an integral approach (education, health and nutrition); seeking complementarity with other programmes; coordinating between different levels of government and federal departments; and emphasizing the importance of monitoring projects and conducting impact assessments.

The positive impact of PROGRESA has been widely documented. Attanasio, Meghir and Santiago (2002), Behrman, Sengupta and Todd (2002) and de Janvry and Sadoulet (2002), among many others, have shown that conditional cash transfers have important welfare benefits for the rural poor. However, as noted by de Janvry and Sadoulet (2002), there are still questions regarding efficient use of the resources invested. Further calibrating transfers to incentive levels may improve efficiency gains.

Brazil's Rural Social Welfare System has it roots in the 1970s, with the first attempt to extend social welfare protection to rural workers. Later, efforts were made to form a social welfare system to eliminate the disparities in treatment between urban and rural workers. It was successful in establishing a universal social welfare system for workers in rural areas (men and women), incorporating workers from the informal sector as well as those working in the family economy. It also standardized the minimum benefit received by urban and rural workers (set at the minimum wage). Although the establishment of the rural social welfare system does not produce immediate changes in the productive structure of the rural economy, it is a key element in providing income stability in the rural sector. During the 1990s Brazil added a series of conditional cash transfer programmes. As Costa Delgado (1999) shows, the Rural Social Welfare System of Brazil has succeeded not only by increasing the welfare of the poorest segments of the rural sector but also constitutes a key element in developing a sense of inclusiveness throughout rural Brazil.

Another important institutional innovation of the 1990s are the Social Investment Funds, which are very good examples of introducing accountability, minimizing corruption and political influence and fostering participation from local communities. Rawlings, Sherburne-Benz and Van Domelen (2001) use the examples of several Latin American countries (Bolivia, Honduras, Nicaragua and Peru) to show that demand-driven programmes such as social funds that rely on communities to define investment priorities can, when properly designed, be very effective in reaching the poor, particularly the poorest of the poor. However, even well-built social fund infrastructure cannot improve living standards unless other sectors complement these investments.

At the national level it is also important to review the experience of Brazil. In 1999 Brazil created the National Committee for Sustainable Rural Development (CNDRS) with Ministry status. Its mission is to create a broad national forum to achieve consensus on main priority investment areas for rural development, as well as to devise the best ways to decentralize the execution of its actions at the municipal level. The CNDRS started by covering three critical areas (strengthening of family agriculture, access to land and rural economy diversification) and as a result of the process of constructing consensus between its members, added a fourth area (rural education) in 2002. The idea of having a coordinating body at the cabinet level responsible for analysing and modifying public policy at the national and federal levels for the purpose of achieving rural sustainable development deserves close attention and may be considered as an alternative to the option of extending the authority of the typical Ministry of Agriculture to cover the much broader scope of rural development.

Strategic areas that merit further study

The building and adaptation of an institutional framework for Latin America's rural sector will be a massive, slow and complicated process. Along the way, continued input will be needed from those studying the sector from the vantage points of different disciplines and approaches. One of the first priority areas should be that of systematic analysis of the institutional innovations occurring in the region so as to produce feedback and gain experience from their success or failure.

The literature associated with the "new institutional economy" has laid the foundation for improved understanding of how and why institutions operate. Conceptual frameworks related to theories of public choice, transaction costs and the principal-agent theory should be put into practice. This would facilitate a better understanding of the incentive structure that underlies Latin America's rural institutions and make it possible to assess which mechanisms would be appropriate in each case.

In terms of achieving better institutional designs, a study of independent transactions as a mechanism for establishing contractual relationships (in order to promote incentive structures with lower transaction costs) would be a valuable subject for further research. On this topic, Dorward *et al*. (2001) and Poulton *et al*. (1998), quoted by Schuetz (1998), show that interdependence between the provision of inputs and the points to which production is directed can produce incentives for small producers, provided they are properly organized. The viability of, and the conditions required for, this type of transaction in Latin America's rural settings remain to be studied. As suggested by Dorward *et al*.

(2001), it is also important to establish limits for this type of arrangement where the development of competitive markets could be affected.

There is also a need for further research on the private sector's role in financing and producing public goods and services that are provided (or that might be expected to be provided) by local governments. Privatization and the concession of public services at the national level or for the main capital cities have received considerable scrutiny, including extensive examination of their advantages and limitations. However, there has been little effort to explore the private sector's potential role in investing in the provision of services not being provided in the quantity or with the quality required by the rural sector.

There also needs to be a better understanding of the relationship between distributive conflicts and institutional arrangements. Bardhan (2001) explores this issue on a conceptual level and shows how such conflicts could prevent institutions from transitioning to a form more compatible with sustainable development. Knowledge of this issue applied to the particular characteristics of the region could contribute significantly to understanding the relation between inequality in the allocation of assets in a given rural setting and the chances of generating successful collective action.

It is clear that the state needs to promote institutional arrangements and public interventions that reduce transaction costs in order to provide more successful connection among rural households and with the markets for goods and factors. However, there has been little empirical research on how to compare institutional arrangements and how to measure the respective costs of different arrangements.

One last area where further research is needed involves the identification and construction of institutional performance indicators. Long-term objectives include overcoming rural poverty, achieving sustainable rural development and reducing and/or mitigating vulnerability and uncertainty in the rural sector. Therefore, each institution involved in this task needs to identify strategic indicators for measuring efficiency and effectiveness in the use of public resources for rural development. Such performance indicators become, for all involved, the cornerstone of an effective system of accountability – or, as Johnson (2000) suggests, a professional public bureaucracy that uses standards and direct performance indicators and that emphasizes monitoring of products, rather than of inputs or processes. In order to build on the basis of experience a set of institutional performance indicators, it is vital first to systematize experiences in building organizations in Latin America's rural sector.

Concluding remarks

Sustainable institutional building in any context is not an easy task. It is not a top-down activity and it may well be a much less intentional and controlled process than we may like to believe. The particular characteristics of rural Latin America make this challenge even greater. There has been an emergence of rural institutions to take up the very necessary functions left unattended by the state, although the shape and characteristics of this institutional fabric are clearly not well-suited for following a sustainable and equitable path for rural development.

At the core of these institutions' inability to deliver the public goods expected of them is a dissociation between the costs and benefits of the rural development efforts they undertake, the asymmetry in the distribution of information they deliver, which hinders the democratization of decision-making and the establishment of effective mechanisms to enhance accountability; and the high transaction costs they generate, which make it difficult for rural actors – especially the poorest – to participate in the institutional arrangements developed, as well as in markets for goods and factors.

In a context where reducing uncertainty and risk while combating rural poverty should be the strategic north for rural development in the region, a key element for overcoming these institutional failures is that of pursuing a more inclusive approach to rural institution-building. Any rural development strategy that ignores the key actors – their interests and conflicts, and their preferences for certain institutional frameworks – will not work. This does not mean that there is no need for some sort of leadership. On the contrary, the existence of an authority that ensures and respects the rights of rural actors, while at the same time observing and enforcing the established rules, is also a key element for constructing this new institutional fabric.

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Chapter 2

The changing role of women in the rural economies of Latin America

Elizabeth Katz

INTRODUCTION[1]

As rural Latin America continues to evolve in the post-adjustment environment of the early twenty-first century, a frequently neglected aspect of this ongoing transformation is the shifts in the gender composition of the rural population and workforce, and what implications these shifts may have for rural development policy. Demographic phenomena such as declining fertility rates, internal and international migration and rising rates of female household headship interact with prevailing rural economic trends – the crisis in subsistence agriculture, the widespread adoption of labour-intensive commercial and export crops and the increasing importance of non-farm sources of rural employment and income – to generate potentially significant changes in the roles of women and men in their households' livelihood strategies and in the rural economy as a whole. At the same time, access to the key markets, services and factors of production that make rural livelihood possible continue to be differentiated by gender. In particular, property rights in land and rural employment opportunities are highly unequal for men and women in many Latin American countries.

This paper evaluates the changing economic roles of women in rural Latin America. It begins with an empirical assessment of the trends in the gender composition of the rural population, its economically active members and the agricultural workforce, with an eye towards evaluating intra-regional differences in the "feminization" of the rural economy. We then look at several of the likely major contributing factors to gender-specific changes in the rural economy: trends in education, fertility and household composition; internal and international migration; shifts in factor utilization in subsistence agriculture in the face of trade and price liberalization and the expansion of labour-intensive

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export crops. The analysis then turns to consideration of gender-specific constraints to access to land and non-farm rural employment. The chapter concludes by evaluating the significance of the changing gender composition of the rural economy and the role of public policy in meeting the needs of rural women and men and identifying productive avenues of future research.

Is there a "feminization" of agriculture and the rural economy in Latin America?

There are several ways of examining empirically the changing gender composition of the rural economies of Latin America. A first step is to look at what is happening with regard to overall demographic trends in the rural areas to examine whether rural populations have become more or less feminized over the past several decades. A second level of analysis is to explore the sex-specific trends in rates of economic activity in the rural areas. And finally, we

TABLE 1
Latin America: Sex ratios of the rural population, 1970–2005

	Women per 100 men										
Country/Year	**1970**	**1975**	**1980**	**1985**	**1990**	**1995**	**2000**	**2005** *(projected)*	**1970–2000**	**1980–2000**	**1990–2000**
									(percentage change)		
Latin America	93	93	93	93	93	93	93	92	-0.65	-0.46	-0.09
Argentina	85	85	87	87	87	87	87	87	2.66	0.57	0.07
Bolivia	101	101	100	99	98	96	95	93	-5.99	-5.34	-3.07
Brazil	94	94	93	92	92	91	90	89	-4.45	-3.72	-2.08
Chile	88	87	85	85	85	85	85	85	-3.22	-0.58	0.09
Colombia	90	88	88	88	88	88	88	87	-2.43	-0.47	-0.46
Costa Rica	91	91	91	91	92	92	92	92	0.38	0.39	0.22
Cuba	88	88	88	88	88	87	87	87	-1.05	-1.13	-0.96
Dominican Rep.	90	91	91	91	91	91	91	91	0.45	-0.36	0.09
Ecuador	95	93	94	94	94	93	93	93	-1.58	-0.74	-0.56
El Salvador	93	93	94	97	98	98	98	97	4.98	3.41	-0.29
Guatemala	94	94	94	94	94	94	94	94	0.66	0.75	0.28
Honduras	96	95	95	94	93	91	90	89	-5.33	-4.61	-2.35
Mexico	95	95	96	96	97	100	100	100	5.11	4.50	3.40
Nicaragua	92	91	91	93	95	95	95	95	3.81	4.10	0.48
Panama	88	88	88	88	88	89	89	89	0.98	1.07	0.62
Paraguay	96	95	94	93	91	90	89	87	-8.07	-5.41	-2.84
Peru	98	97	97	96	97	97	97	97	-0.87	0.00	0.29
Uruguay	74	75	73	69	74	74	74	74	-0.44	0.66	-0.37
Venezuela	88	88	88	87	84	83	81	80	-7.49	-7.08	-3.58

Source: CELADE/CEPAL (1999a).

can look at data from the agricultural sector itself, to see whether women are increasing their participation, absolutely and relative to men.

Table 1 shows the rural population sex ratios in 19 Latin American countries from 1970 to 2000. With the exceptions of Bolivia in the 1970s and Mexico today, rural men have outnumbered women for the past 30 years. Currently, the number of women per 100 men ranges from a low of 73.7 in Uruguay to near parity in Mexico, with a mean of 92.5 for the region as a whole. The overall trend for Latin America since 1970 has been towards a slight increase in the male to female sex ratio of the rural population, although the shifts are distributed quite unevenly across the countries of the region. Paraguay, Venezuela, Bolivia and Honduras all experienced relative declines in the rural female population index of over 5 percent. Brazil, Chile, Ecuador, Colombia and Cuba saw their rural population sex ratios fall on the order of 1 to 5 percent over the last 30 years, while the balance actually shifted in favour of women in Mexico, El Salvador, Nicaragua, Argentina, Panama and Costa Rica. As we will examine in more detail below, one possible explanation for these differential shifts across the region lies in the distinct migratory patterns of the rural populations of different countries, and in particular the relative participation of women in internal versus international migratory movements.

Turning to the gender distribution of the rural economically active population (EAP), Table 2 presents regional and country-specific data, disaggregated by sex, for the years 1980–2000.[2] Keeping in mind that these data include agricultural as well as non-agricultural activities, we note that for the Latin American region on average, approximately 77 percent of the rural male population over the age

[2] Labour force statistics are notorious for underestimating rural women's activity rates, especially in the agricultural sector, where a significant amount of labour is unpaid. Underreporting results from both enumerator and respondent bias, since survey takers and household members alike tend to view women's labour contributions to the family farm as auxiliary in nature. Likewise, women's non-agricultural activities, such as petty commerce, are often not registered due to their sometimes sporadic and low-return characteristics. Initiatives at the international level to improve official data collection on rural women's economic activities include the FAO's methodological guidelines for conducting agricultural censuses (FAO, 1995) and a special chapter of the ILO's most recent edition of *Key indicators of the labour market* (ILO, 2002),devoted to improvements in data collection for sex-specific labour market indicators.
Two widely cited regional studies of rural women's roles in food production (Chiriboga, Grynspan and Pérez, 1995 and Kleysen, 1996) used primary data from household surveys to re-estimate official statistics on women's rates of economic activity and contribution to agricultural GDP. By including women who listed agriculture as a "secondary activity" in the official labour force surveys, assuming the participation of at least one adult woman per small farm, and extrapolating from the data in their own surveys, the researchers increased the estimated female rural/agricultural EAP by anywhere from 50 to 500 percent.

TABLE 2
Latin America: Evolution of the rural economically active population by sex, 1980–2000

	Rural economic activity rates (per 100 population aged ten years and over)						
	1980	1985	1990	1995	2000	2005 (projected)	1980–2000 (% change)
Latin America							
Males	77	77	77	77	77	77	-0.39
Females	23	25	27	29	30	32	33.48
Argentina							
Males	76	73	70	70	70	70	-6.84
Females	14	24	32	33	34	34	139.66
Bolivia							
Males	78	77	77	77	77	77	-1.73
Females	21	25	29	31	32	34	55.08
Brazil							
Males	84	84	84	83	82	82	-1.73
Females	31	34	36	38	39	41	25.73
Chile							
Males	69	73	76	76	75	75	8.86
Females	9	11	14	16	18	21	106.98
Colombia							
Males	71	69	69	69	69	69	-1.86
Females	21	27	29	31	32	34	51.25
Costa Rica							
Males	78	79	79	78	78	78	-0.17
Females	13	14	17	19	21	24	68.98
Cuba							
Males	60	62	67	70	69	69	14.69
Females	16	18	22	25	26	28	66.54
Dominican Republic							
Males	75	76	77	77	77	78	3.36
Females	21	24	26	28	30	32	39.96
Ecuador							
Males	73	74	75	75	76	77	4.01
Females	10	14	18	20	23	25	117.62
El Salvador							
Males	79	76	73	75	76	76	-4.08
Females	14	14	14	17	20	22	46.60

	Rural economic activity rates (per 100 population aged ten years and over)						
	1980	1985	1990	1995	2000	2005 (projected)	1980–2000 (% change)
Guatemala							
Males	74	73	73	73	73	73	-1.45
Females	6	9	11	14	17	19	166.44
Honduras							
Males	81	82	82	81	81	80	-0.94
Females	8	10	11	14	16	19	104.07
Mexico							
Males	76	75	76	77	77	76	1.32
Females	16	18	20	22	24	26	49.75
Nicaragua							
Males	78	78	78	79	80	79	2.36
Females	19	23	24	25	27	29	45.81
Panama							
Males	66	69	71	72	72	72	8.15
Females	13	15	17	19	22	24	70.82
Paraguay							
Males	79	79	77	76	76	77	-2.95
Females	11	10	8	8	8	8	-24.12
Peru							
Males	74	75	76	78	78	78	5.13
Females	31	33	35	37	38	40	24.22
Uruguay							
Males	77	78	77	77	76	73	-1.56
Females	25	32	33	35	36	37	44.54
Venezuela							
Males	69	69	69	69	69	69	0.15
Females	10	11	12	14	17	19	69.80

Source: Author's calculations from CELADE/CEPAL (1999b).

of ten is considered economically active, and this figure has been stable over the past 20 years. Women's rate of rural labour force participation, however, has increased markedly since 1980: from under 23 percent to over 30 percent in 2000. Argentina, Chile, Ecuador, Guatemala and Honduras have more than doubled their rates of rural female economic activity in the past two decades, and the rates in many other countries have risen by over 50 percent.

Women's share of total rural employment has also risen substantially over the past 20 years (see Table 3). For the region as a whole, women made up slightly over 21 percent of the rural economically active population in 1980 and comprise about 27 percent today. In Argentina, Chile, Ecuador, Honduras

TABLE 3
Women's share of total rural employment, 1980–2005

	Female percentage of total rural economically active population						
	1980	1985	1990	1995	2000	2005 (projected)	1980–2000 (% change)
Latin America	21	23	24	25	26	27	30
Argentina	13	21	28	28	29	29	116
Bolivia	21	24	27	28	28	29	38
Brazil	25	27	28	29	30	31	20
Chile	10	11	13	15	17	19	93
Colombia	21	25	26	27	29	29	44
Costa Rica	13	14	16	18	20	22	71
Cuba	18	20	22	23	24	26	40
Dominican Rep.	20	22	23	24	26	27	33
Ecuador	12	15	18	20	21	23	97
El Salvador	14	15	16	18	20	22	63
Guatemala	7	10	13	15	18	20	176
Honduras	8	10	11	13	15	17	105
Mexico	17	19	20	23	24	26	51
Nicaragua	17	21	22	23	24	26	47
Panama	14	15	17	19	21	22	63
Paraguay	11	10	9	9	9	8	-26
Peru	29	30	31	32	32	33	15
Uruguay	18	21	23	24	25	26	44
Venezuela	11	11	12	14	16	18	65

Source: Author's calculations from CELADE/CEPAL (1999b).

and Guatemala, where women form a large part of the non-traditional export agricultural labour force, the female share of the rural EAP has doubled between 1980 and 2000.

Increasing female rates of rural economic activity also imply increased women's participation in the agricultural sector, in the degree to which rural women are employed in agriculture as compared to other rural occupations. Table 4 shows that on average, less then one-third of economically active rural women are employed in the agricultural sector, compared to over two-thirds of men. There are important intra-regional differences: Bolivia, Brazil and Paraguay exhibit very high relative rates of women's agricultural employment (86, 70 and 43 percent of the rural female EAP, respectively), while only about 10 percent of economically active rural women in most of the Central American countries work in agriculture. Rural women's employment is much more

TABLE 4
Latin America: Distribution of the rural economically active population, by sex and sector, 1999

Country/Sector	Agriculture	Industry	Commerce, hotels & restaurants	Services (personal, public & social)	Other [c/]
in percent					
Bolivia					
Women	85.7	3.5	6.1	3.5	1.3
Men	85.6	1.8	1.7	2.8	8.3
Brazil					
Women	69.6	3.4	5.3	20.2	1.6
Men	75.9	5.8	4.3	6.5	7.6
Chile[a/]					
Women	35.0	6.4	19.9	36.1	2.8
Men	74.0	4.6	4.9	5.1	11.4
Colombia					
Women	23.2	10.2	27.5	36.2	3.0
Men	69.3	4.2	8.6	8.9	9.1
Costa Rica					
Women	9.9	19.5	24.6	42.0	4.0
Men	42.9	12.7	12.8	11.6	19.9
Dominican Rep.[b/]					
Women	7.6	24.5	30.2	35.4	2.4
Men	46.6	17.6	13.6	7.6	14.7
El Salvador					
Women	13.9	23.2	35.4	26.4	1.0
Men	64.8	9.3	7.0	6.7	12.2
Guatemala[a/]					
Women	35.4	24.9	26.1	13.3	0.4
Men	74.4	8.1	5.9	3.9	7.9
Honduras					
Women	12.7	23.2	39.2	24.0	0.9
Men	77.2	6.2	5.2	5.2	6.3
Mexico[a/]					
Women	33.0	19.0	21.3	25.7	1.0
Men	55.4	10.4	9.7	12.4	12.0
Nicaragua[a/]					
Women	27.6	10.2	28.2	33.7	0.3
Men	77.7	4.2	6.3	4.6	7.2
Panama					
Women	8.1	10.0	29.7	48.4	3.8
Men	60.0	5.9	11.5	9.3	13.3
Paraguay					
Women	42.8	9.3	25.3	21.6	1.0
Men	71.0	8.3	6.7	5.9	8.1
Unweighted mean					
Women	31.1	14.4	24.5	28.2	1.8
Men	67.3	7.6	7.6	7.0	10.6

[a/] 1998
[b/] 1997
[c/] Includes mining, utilities, construction, transportation, communications and financial services.
Source: Author's calculations from CEPAL (2002b), based on special tabulations of national household surveys.

diversified: close to a third work in personal services, and another 25 percent are employed in the trade and tourism sectors. Rural industry is an especially important source of employment for women in Mexico, Central America and the Dominican Republic.[3]

Time-series data on women's agricultural employment show an overall decline in female participation as a percentage of the total agricultural labour force between 1970 and 1990, but recent ILO data suggest a rising female share of agricultural employment between 1980 and the mid-1990s (see Table 5A). Based on national labour force data compiled by CEPAL (2002a) for the region as a whole, the female share of agricultural employment fell on the order of 20 percent between 1970 and 1990 (from an average of 13.1 to 10.4 of the total agricultural workforce), although 8 of the 17 countries for which there are data in both time periods exhibited a feminization of the agricultural workforce. The ILO data, extracted from their Key Indicators of the Labour Market (KILM) database, indicate a somewhat higher regional average female share of the agricultural labour force, including substantially higher estimates for women's share of total agricultural employment in large countries such as Brazil, Mexico and Colombia. Moreover, six of the seven countries for which comparative data are available appear to be undergoing a feminization of the agricultural workforce on the order of 1 to 4 percent a year since 1980 (Marcoux, 2001).

Additional data on women's share of agricultural employment, found in Table 5B, are available from the agricultural censuses of seven Latin American countries during the 1990s (FAO, 2000). These data are useful because, for some countries, they differentiate between household and hired agricultural labour. In Brazil, for example, 38 percent of the household members reported as engaged mainly in agriculture are women, while 18 percent of the permanent hired labour on Brazilian farms is female. In Mexico, women make up 15 percent of the family labour agricultural labour force, 6 percent of the permanent and 9 percent of the temporary paid agricultural workforce.

A final source of information on women farmers comes from the most

[3] Data from the 1990s indicate that non-farm rural employment are becoming increasingly important for rural men in almost all Latin American countries, while for women the trend is more uneven. In the eight countries for which recent time-series data are available, the non-farm share of rural men's employment increased from an average of 30 percent in 1989–91 to 36 percent in 1994–98, while the average for rural women remained unchanged at 74 percent during this same period, falling in half of the countries and rising in the other half (Durston *et al*., 2000, cited in Reardon, Berdegué and Escobar, 2001, Table 1). Nevertheless, the point remains that non-farm sources of employment and income are extremely important for rural women across the region.

TABLE 5A
Latin America: Female labour force participation in the agriculture sector, 1970–1990s

	Women as a percent of the agricultural labour force					
	CEPAL estimates [a/]				ILO estimates [b/]	
	1970	1980	1990	% change 1970-1990	1990	Avg. annual % change 1980–1990s
Argentina	7	7	16	143	7	0.6
Bolivia	33	34	36	9		
Brazil	16	20	13	-18	34	
Chile	6	8	7	4	10	4.1
Colombia	13	15	5	-59	16	1.3
Costa Rica	2	3			9	3.1
Cuba	5	14			17	1.9
Dominican Rep.	6	8	7	30	10	2.1
Ecuador	9	11	13	43	11	
El Salvador	4	5	5	45	10	
Guatemala	8	7	6	-22		
Honduras	14	18	6	-59	7	
Mexico	11	14	4	-69	17	
Nicaragua	10	11	6	-41		
Panama	6	5	5	-18	5	
Paraguay	7	5	2	-73	13	
Peru	14	15	13	-7		
Uruguay	5	7	18	241		
Venezuela	3	4	4	14	4	-0.5
Region	13	16	10	-20		

[a/] Data for 1970 and 1980 are based on ILO standards; for 1990 from national labour force statistics.
[b/] Data years vary by country: 1990 (Cuba, Dominican Republic); 1993 (Paraguay); 1995 (Brazil, Panama, Venezuela); 1996 (Argentina); 1997 (Chile, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico).
Sources: CEPAL estimates: Author's calculations from CEPAL (2002a); ILO estimates: Marcoux (2001).

recent rounds of Living Standards Measurements Surveys, which recorded the sex of the "principal farmer" for owner-operated farms in five Latin American countries. These data indicate that women are primarily responsible for 9 percent of family farms in Brazil, 11 percent in Panama, 13 percent in Nicaragua, 16 percent in Brazil and 26 percent in Ecuador (Deere and León, 2002).

What do these demographic and labour force data allow us to conclude about the feminization of agriculture and the rural economy in Latin America? Based on the shifts in the sex composition of the rural population over the past thirty years, it appears that continued female outmigration has heightened

TABLE 5B
Latin America: Female labour force participation in the agriculture sector, 1970–1990s

	Women as % of the agricultural labour force		
	National Agricultural Census estimates[a/]		
	Household agricultural labour	Hired permanent workers	Hired temporary workers
Argentina	18		
Bolivia			
Brazil		18	
Chile	38	14	
Colombia			
Costa Rica			
Cuba			
Dominican Rep.			
Ecuador			
El Salvador			
Guatemala			
Honduras			
Mexico	15	6	9
Nicaragua			
Panama	23		
Paraguay			
Peru			
Uruguay	21		
Venezuela	9	16	
Region			

[a/] Data years vary by country: 1988 (Argentina); 1990 (Panama); 1991 (Mexico); 1996 (Brazil); 1997 (Chile).
Source: Author's calculations from FAO (2000).

the male bias in many Andean and Southern Cone countries, but that a countervailing tendency towards a relatively greater number of female rural inhabitants is taking place in Mexico and much of Central America. Regarding the rural labour force, the data are unequivocal in pointing towards significant increases in female economic activity rates, which are distributed more widely across the agricultural and non-agricultural sectors relative to those of males. Unfortunately, the evidence on women's participation in agriculture remains incomplete and contradictory. Different data collection methods yield widely discrepant estimates, although it seems likely that for a substantial group of Latin American countries, women are making up a larger and larger share of both the paid and unpaid (family) agricultural workforces.

CURRENT TRENDS AFFECTING WOMEN'S PARTICIPATION IN THE RURAL ECONOMY

Several concurrent and interrelated changes in the social and economic conditions facing rural Latin Americans help to explain the gender-specific shifts in population and labour force participation described in Section 2. We will examine in turn the effects of changes in female education, fertility and household formation; internal and international migration; agricultural liberalization and its impact on subsistence food production and the promotion of non-traditional agricultural exports.

Education, fertility and household formation

One of the most significant advances in gender equity in Latin America has been in the area of women's education. For the region as a whole (including the Caribbean), female primary enrolment ratios are approximately 94 percent that of male ratios; women actually outnumber men in secondary education and they are near parity at the tertiary level as well (UNESCO, 2000). As might be expected, however, the absolute gains have been less for rural women than for urban women. For 13 Latin American countries that collected data disaggregated by gender and by geographic zone (urban/rural), the average level of educational attainment for urban women between the ages of 15 and 24 was nine years (the equivalent of completing secondary school), while for rural women it was six (the equivalent of completing primary school) (CEPAL, 2001).[4]

Table 6 shows the average number of years of education for rural women and men by age group and by economic activity. Several trends bear mention. First, the educational levels of both rural men and women have consistently risen since 1980 – for women, on the order of a year or more on average (CEPAL, 2001). Second, in 10 of the 13 countries, younger rural women (15–24 years old) have higher levels of education than their male counterparts. Older women (25–59 years old) in about half of the countries are still less educated than their male peers, demonstrating a clear generation gap in rural women's educational opportunities. Finally, economically active rural women are clearly at the upper levels of the female educational spectrum and in almost all cases have significantly more years of schooling than the male EAP. It appears, therefore, that rural women across the region are acquiring higher levels of basic human capital (including literacy and numeracy) and

[4] The corresponding figures for women between the ages of 25 and 59 are 8.2 years (urban) and 4.3 years (rural). As will be discussed in more detail below, these figures are biased by the fact that more highly educated rural women are more likely to migrate to the cities and therefore be registered in the statistics as urban.

TABLE 6
Latin America: Average rural levels of education, by sex, age and economic activity

	Years of instruction					
	15–24 years old		25–59 years old		Economically active population	
	M	F	M	F	M	F
Bolivia	6.9	5.6	4.7	2.5	4.7	2.8
Brazil	4.4	5.4	3.2	3.4	3.3	3.8
Chile [a/]	9.4	9.8	7.2	7.1	7.1	8.7
Colombia	6.2	6.8	4.7	4.9	4.7	6.1
Costa Rica	6.8	7.1	6.5	6.5	6.3	7.5
Dominican Rep.[b/]	6.0	6.7	4.8	4.6	4.9	6.0
El Salvador	5.5	5.5	3.6	2.9	3.8	4.0
Guatemala[a/]	4.1	3.1	2.4	1.4	2.7	2.1
Honduras	4.7	5.1	3.5	3.6	3.6	4.4
Mexico[a/]	8.1	7.5	4.9	4.5	5.6	5.3
Nicaragua[a/]	3.8	4.6	3.2	3.2	3.2	4.6
Panama	7.6	8.4	6.9	7.2	6.5	9.0
Venezuela[c/]	5.7	6.4	4.7	4.6	4.6	6.3

[a/] 1998
[b/] 1997
[c/] 1994
Source: CEPAL (2001).

using these skills at least in part to enter the rural workforce in greater and greater numbers.

The higher rates of education and economic activity for rural women are directly linked to the falling total fertility rates of every country in Latin America. For the region as a whole, the average number of children per woman has fallen from 6.0 in 1960 to 2.7 in 2000, and is expected to reach the replacement level (2.1) in 2025. As would be expected, there are fairly wide disparities both across countries and between urban and rural areas within countries. Bolivia, Guatemala, Honduras, Nicaragua and Paraguay, for example, all still have total fertility rates over four (CELADE/CEPAL, 2001). The most recent round of Demographic and Health Surveys also indicate significantly higher rates of fertility in rural as compared to urban areas (Table 7), although these are also falling over time. As rural families have fewer children, dependency burdens are reduced, and women are more able to engage in both agricultural work and off-farm employment.

Also associated with this demographic transition are changes in the patterns of household formation in rural Latin America: later marriages, greater incidence of informal consensual unions and, of particular interest here,

increasing rates of rural female household headship. Rising rates of rural female family and household headship imply greater levels of economic responsibility and therefore higher rates of activity in the rural economy. Table 8 shows the most recent data on self-reported female headship, as well as households in which a woman is the primary income earner. For the 13 countries with information disaggregated by urban and rural areas, the unweighted mean rate of self-reported rural female headship is 18 percent, with a low of 13 percent in Brazil and a high of 25 percent in El Salvador. Using an alternative definition of headship, the data indicate that women in almost 23 percent of rural households are the principal economic providers.

TABLE 7
Latin America: Total fertility rates by geographic zone

	Urban	Rural
Bolivia 1998	3.3	6.4
Brazil 1996	2.3	3.5
Colombia 2000	2.3	3.8
Dominican Rep.1996	2.8	4,0
Ecuador 1987	3.5	5.3
El Salvador 1985	3.3	5.4
Guatemala 1998/99	4.1	5.8
Mexico 1987	3.3	6,0
Nicaragua 1997/98	2.9	5,0
Paraguay 1990	3.6	6.1
Peru 2000	2.2	4.3

Source: Demographic and Health Surveys.

TABLE 8
Latin America: Female household headship, 1999

	Percent of total households by geographic zone			
	URBAN		RURAL	
	Self-reported	Primary economic contributor	Self-reported	Primary economic contributor
Bolivia	20	28	16	23
Brazil	25	33	13	23
Chile[a/]	24	28	15	18
Colombia	29	35	19	22
Costa Rica	28	30	19	20
Dominican Rep.[b/]	31	32	19	20
El Salvador	31	38	25	38
Guatemala[a/]	24	30	18	20
Honduras	30	36	21	22
Mexico[a/]	19	27	16	24
Nicaragua[a/]	35	35	19	21
Panama	27	30	21	21
Paraguay	27	33	20	25

[a/] 1998
[b/] 1997
Source: CEPAL (2002b).

While these rates are lower than those reported for urban areas, the true incidence of female headship may be substantially higher, due in part to the transitory nature of many informal male-female unions and also to the widespread existence of "nested" households (female-headed families residing within larger households). The former phenomenon implies that while at any given time a household may have an adult male residing within it (who is most often registered as the "head" in household surveys and censuses), the mother-child(ren) unit is the more stable formation. The issue of household nesting is explored in a rural Honduran context by Bradshaw (1995), who argues that potential female heads who are unable to survive on their own create "subfamilies" within extended households. These can take the form of adult daughters and their children residing with their own parents, or female heads living with members of their own generation (e.g. siblings). In Bradshaw's rural Honduran sample, 11 percent of all households were made up of multiple sub-families, and the average duration of co-residence in these types of households (seven years) suggests that they are relatively stable formations.[5]

Migration

A second important trend affecting the role of women in the rural economy is the migration of large numbers of men and women out of rural areas, both internally to urban centres and internationally within and outside of Latin America.

Gender-disaggregated data on internal migration are available only for some countries and for selected time periods. Table 9 summarizes the information for the 1960s, 1970s and 1980s, using the census survival ratio method.[6] In Latin America as a whole, natural urban population growth now generally exceeds net migration, and in most countries for which there are data, women migrate internally in larger numbers than men do – a trend that has held since at least 1960.

What factors determine the internal migration of women, and are they different from those that influence men? Katz (2000), working with 1997 data from Ecuador, finds important gender differences in the interaction of demographic variables with the migration decision and examines the role of

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[5] Bradshaw (1995) also suggests that rural women who find themselves abandoned or widowed – especially those without independent access to land – have a high propensity to migrate to urban areas, where female labour market opportunities are greater.

[6] This method calculates probabilities of surviving from one census to the next based on fertility and mortality data, which are then used to project the urban population by age and sex. This projected population is then compared with the actual population to derive the effects of net migration and reclassification (of localities from rural to urban) (United Nations, 1996).

TABLE 9
Internal migration in Latin America

	Estimated % of urban growth attributable to internal migration and reclassification					Female % of rural-urban migration		
	1960s	1970s	1980s	1980s–90s[a/]		1960s	1970s	1980s
				Women	Men			
Argentina		30	27			53	53	
Bolivia			47					
Brazil	48	47	38	35	33	52	51	
Chile	34	27	7	11	8	52	54	49
Colombia	24	50				67	52	
Costa Rica	43	31				54		
Cuba	21	56				52	52	
Dominican Rep.	48	45				54	55	
Ecuador	33	47	42			56	50	
El Salvador	22		47			60		
Guatemala	38			44	43	58	46	
Honduras	50		39			55		
Mexico	32	29	31	24	24	52		51
Nicaragua	43			31	28	57		
Panama	41	31	30			55	58	50
Paraguay	34	47	41			60	52	
Peru	42	32	29			51	51	
Uruguay	9	41		32	36		57	
Venezuela	21	25	20			58	53	51
Regional average	40	41	34			56	53	

[a/] Data vary by country: Brazil 1990–1995; Chile 1982–1992; Guatemala 1984–1994; Mexico 1990–1995; Nicaragua 1985–1995; Uruguay 1986–1996.
Sources: United Nations (1996, 2001), Singelmann (1993), CEPAL/Habitat (2001).

rural development policy in altering gender-specific migration flows. Contrary to expectations, high household dependency ratios reduce the probability that young men will migrate, while they have no statistically significant impact on women's migration propensities.[7] However, the gender composition of the household does not significantly affect migration probabilities, suggesting that the gender division of labour in highland Ecuador is relatively flexible; women do not necessarily have to be assured of replacement female labour in the household to free them up for migration, and likewise for men. Both male and female migrants are significantly more likely to be married than their non-

[7] The analysis was confined to non-household heads; that is, the focus was on adult sons and daughters of families who remained in areas of origin.

migrant counterparts, and the effect of marriage on male migration probabilities is especially large in rural areas. A likely scenario here is that marriage is followed by a period of separation in which men "commute" between their community of origin and a destination area with better employment prospects; once a "beachhead" is established in the city, wives rejoin their husbands as tied movers.

Rural development appears to have very uneven effects on the migration behaviour of men and women. With regard to the labour market, the analysis in Katz (2000) suggests that women are almost 30 percent more likely to leave rural areas which offer non-agricultural jobs than from those that do not, implying that the development of off-farm employment opportunities has disproportionately benefited rural men. The effects of crop diversification and irrigation on women's migration, on the other hand, are strongly negative, which can be explained by the fact that women's labour contribution to crops such as tomatoes, cucumbers, peppers and tree fruits is relatively high compared to traditional crops like maize, wheat and beans. With regard to the effects of land ownership on migration, larger endowments of privately-owned land are more likely to restrict male migration, while access to common property resources acts as a migration deterrent for women.

International migration patterns are somewhat different from those of internal migration (see Table 10).[8] Recent analysis of international migration within and from Latin America shows that, between 1970 and 1990, there was a tendency towards the "masculinization" of migration into the United States (made up primarily of Mexicans and Central Americans), but women made up a greater and greater percentage of intra-regional migrants (CELADE/CEPAL, 1999c; Villa and Martínez, 2001). The ratio of male to female Latin American migrants into the United States rose from approximately 90 in 1970 to 110 in 1990. In the case of Mexico, what had been a primarily female northward migration in 1970 strongly reversed itself over the next two decades, so that by 1990 approximately 123 Mexican men were moving to the United States for every 100 women. Similarly, male migrants from El Salvador increased their share relative to women from 68 percent in 1970 to 107 percent in 1990. However, between 1990 and 1996 there was a slight decline in the male to female migration ratio; and the data from the 2000 U.S. Census suggests that, at least for Mexico, while men continue to dominate the migration stream, there is some feminization of the migrant population (US Census Bureau, 2001).

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[8] International migration statistics do not differentiate between migrants coming from urban and rural areas of origin; it is therefore not known whether the gender patterns reported here are similar for migrants coming from the countryside as compared to the city.

As with internal migration, women are slightly more active than men in international migration within Latin America: for every 100 men that move within the region, 105 women change their country of residence. Some researchers attribute the difference between Latin America–United States migration patterns and those obtaining within the region to the distinct natures of the immigrant labour markets in the destination countries. International labour flows are predominately male into countries with high demand for foreign agricultural workers (such as Mexicans to the United States and Bolivians and Chileans to Argentina), while flows are more likely to include large numbers of women if the demand is primarily in the service sector, including domestic service (such as Colombians to Venezuela, Paraguayans to Argentina and Nicaraguans to Costa Rica) (Villa and Martínez, 2001; Portocarrero, 2001).

TABLE 10
International migration sex ratios, Mexico and Central America

	Foreign-born men per 100 women, United States				
	1970	**1980**	**1990**	**1996**	**2000**
Costa Rica	75	74			
El Salvador	68	78	107	101	
Guatemala	77	85			
Honduras	83	72			
Mexico	96	111	123	121	118
Nicaragua	55	67			
Panama	67	69			
Central America[a/]			89	83	113
South America					92
Latin America					104

[a/]Excluding El Salvador for all years except 2000.
Sources: CELADE/CEPAL (1999c), US Census Bureau (2001).

The large flows of migrants between Mexico and the United States – and the relatively greater degree of high-quality information about this migrant population – have generated particular interest in the gender-specific determinants and consequences of these international movements. Kanaiaupuni (2000) looked at 14 000 individuals in 43 Mexican communities between 1987 and 1997 to explore gender differences in the roles of human capital, socio-economic status, lifecycle, social networks and local economic opportunities in the decision to migrate. In this large sample, only 7 percent of women, compared to 41 percent of men, had ever migrated to the United States, and 74 percent of women with migrant partners had never migrated at all. Regarding the determinants of migration, she found that higher levels of education increased women's but decreased men's chances of migrating; she attributes this to the higher returns to female education in the United States labour market, relative to the Mexican labour market.[9] Related to this, the likelihood of men migrating significantly decreased

[9] For an extensive analysis of gender and labour markets in Mexico, see Katz and Correia (2001), especially the chapters on rural employment.

when communities had relatively high levels of female employment, implying that women's local earnings can substitute for potential returns to migration for the household.

Finally, the data suggest that women are considerably less likely to migrate from households owning more than five hectares of land, while the effect on male migration is not statistically significantly different from zero. This important result regarding the deterrent effect of land ownership on female migration, which is replicated with different data in Donato (1993), suggests that, in the context of widespread male migration, women may be expected to remain in areas of origin to administer the family farm. Davis and Winters (2001), however, examining migration from the *ejido* sector, find a negative association between irrigated land owned and male migration, but a (very small) positive relationship between rainfed land and female migration. Their interpretation of this result is that, given the predominant gender division of labour in Mexican agriculture in which men are more likely to work directly on the farm, irrigated land, which is associated with higher returns, raises the opportunity costs of migration for men. These data do support the idea that livestock assets reduce female migration propensities, which is consistent with the gender division of labour in sending communities.

Food production and agricultural liberalization

Across Latin America, and especially in countries experiencing high rates of rural male outmigration, women are assuming larger and larger roles in the peasant or subsistence agricultural sector. Even where men are not physically absent for extended periods of time, trade and price liberalization affecting important food crops such as maize has led to widespread reallocation of household productive resources – including labour – to accommodate higher input and lower output prices for basic grains that form the foundation of the diet of the rural poor's. The mobilization of women's (mostly unpaid) labour is thus one way for households to achieve food security in the face of significant economic disincentives to invest in subsistence crops.

Household time-use data from 2 000 small-scale agricultural households involved in the production of primary food crops in 13 Latin American countries suggest that women are spending an average of six hours per day in agricultural or livestock activities (Kleysen, 1996). Looking at the gender division of labour by task within the major food crops, it appears that women's participation is somewhat lower in the land preparation and field care phases of production (where an average of 40 percent of households report some level of female labour contribution) and higher for the planting and harvesting stages

(where participation rates exceed 60 percent). Women in half of all households contribute to post-harvest processing of food crops, and about 40 percent play a role in commercialization. With regard to livestock production (for which data are available mostly for the Andean countries), women in approximately half of the households participated in the feeding and pasturing of both large and small farm animals. They are somewhat less likely to take an active role in the breeding and health and sanitation aspects of cattle raising, but make important labour contributions to the milking of dairy cows, as well as to the care of and product collection from other small livestock such as pigs, sheep and chickens (Kleysen, 1996).

In their analysis of an indigenous smallholding community in the Mexican central highlands, Preibisch, Rivera Herrejón and Wiggins (2002) find a strong association between the continued cultivation of maize and the feminization of subsistence agriculture in the late 1990s. Their argument expands upon other Mexican literature (see Barrera Bassols and Oehmichen Bazán, 2000) which considers male migration as the primary impetus to women's increased participation in the rural economy, by showing how economic restructuring shifts agricultural work into the realm of reproductive activities. On the factor price side, as the costs of fertilizers and herbicides have risen, families are substituting (mostly female) labour for tasks such as weeding. On the output side, as the entry of United States maize into the Mexican market has substantially lowered the price that Mexican farmers receive for their crop, households consumed a greater portion and marketed a smaller portion of the maize they grew. And with this (re)conversion of maize from a cash-generating to a truly subsistence crop, men have increasingly left its cultivation and control over important production and use decisions to women, in favour of off-farm (often migratory) employment. For many rural women – especially those in communities with limited access to reliable off-farm employment – maize production is an important way for them to meet their responsibilities as food providers for their families. The crop also serves as a source of savings that can be sold in case of emergency, as a source of cash for small daily expenses and as a key source of cooking fuel and animal feed.[10] For women who would otherwise have to rely on allowances or migration remittances from their husbands, maize is a small but steady source of cash.

[10] Many rural people use the dried stalks (*rastrojo*) and cobs (e*lote*) from the maize plant for cooking fuel and animal feed. Families in the poorest socioeconomic tercile in the Preibisch, Rivera Herrejón and Wiggins (2002) study relied on *rastrojo* for 79 percent of their cooking fuel needs. In the local gender division of labour, women are wholly responsible for the procurement of the *rastrojo*, and livestock care most often comes under the female purview as well.

The expansion of non-traditional agricultural exports

One of the major developments in the rural economies of many Latin American countries during the 1980s and 1990s has been the growth of non-traditional agricultural exports – generally high value, labour-intensive products such as fresh fruits, vegetables, flowers and ornamental plants destined for northern markets (see, for example, Barham *et al.*, 1992, and Thrupp, 1995). A striking feature of the industries that have grown up around these new crops is their significant employment of women. Thrupp (1995) reports that 69 percent of non-traditional agricultural export production workers in Ecuador are female, and 30 percent of field labour and half of processing, post-harvest handling and greenhouse cultivation jobs in non-traditional agricultural export crops in Costa Rica, Guatemala and Honduras are occupied by women. This phenomenon of female participation in commercial agriculture has greatly increased the visibility of rural women's work, creating new opportunities for paid employment and raising new concerns about the position of women in the flexible labour market that often characterizes these industries (Lara Flores, 1995; Aparicio and Benencia, 1999). Three case studies in the Dominican Republic, Colombia and Chile illustrate some of the central issues surrounding gender and employment in the non-traditional agricultural export sector in Latin America.

In the Dominican Republic, non-traditional agricultural exports include fresh, frozen and canned fruits and vegetables, as well as nuts, flowers and ornamental plants. The sector is geographically dispersed throughout the countryside, with only 16 percent of firms clustered around Santo Domingo (Raynolds, 1998). Data from 1990 suggest that approximately 40 percent of the non-traditional agricultural labour force is female, with women workers concentrated in the labour-intensive food industries such as canned tomatoes and fresh melon and pineapple production. Women predominate in the most rapidly-paced assembly line operations such as selection, washing, filling cans and packing fresh produce into boxes. Men, on the other hand, specialize in supervisory, mechanical, lifting and transportation aspects of the work. The work is mostly seasonal in nature and provides employment to women who were either previously out of the labour force, unemployed or self-employed in the informal sector. A firm-based survey suggests that one-third of female non-traditional agricultural workers are household heads, and fully three-quarters are mothers, implying that it is not predominately young, single rural women who are accessing these new jobs (Raynolds, 1998).

Cut flower production has constituted an important new source of female employment in rural Colombia. Concentrated in the central highland region (Sabana de Bogotá), the cultivation of fresh flowers for the export market has

generated approximately 75 000 jobs, 60 to 80 percent of which are held by women (Meier, 1999). Flowers are a labour-intensive industry (wages account for nearly half of total production costs) which exhibits a marked gender division of labour: women are generally charged with planting, crop care, cutting, classifying, packaging and ancillary services such as cleaning and food service; men are more commonly employed in the construction and maintenance of greenhouses and other infrastructure, plant bed preparation, pesticide application, cold storage, transportation and security. Employers have demonstrated a preference for younger women (who are often subjected to illegal pregnancy tests) and for rural women (who, because of their limited alternatives, are believed to be less inclined to press for higher pay and improved working conditions). Earnings in the flower industry are generally set by the minimum wage, plus benefits such as social security payments. The jobs have been especially attractive to single mothers and recent migrants – groups with high demand for assistance with childcare. A 1996 industry survey, however, reported that only 14 (out of approximately 500) flower farms had onsite childcare services (Ascolflores, 1998, as cited in Meier, 1999). Another major source of concern regarding the flower industry has been the health risks posed by exposure to pesticides. While safety practices have improved since the industry began operating in the 1970s, systematic research on the short- and long-term health effects of employment in the cut flower sector has yet to be carried out.

In Chile, thousands of women have been integrated into the rural wage labour force, working to export fresh fruits such as kiwi, apples and table grapes to northern markets. National estimates are that approximately 150 000 women are employed on a temporary basis in the agro-export sector, constituting fully half of the total temporary agricultural labour force (Bee, 2000). The sector is primarily employing older, married rural women: various studies indicate that only 35 percent of the Chilean female temporary waged workers (*temporeras*) are single, and their average age is about 30. In the Guatulame valley in Chile's Fourth Region (Norte Chico), increased feminization and seasonality of agricultural production is associated with the agro-export economy. In this region, many women have become involved as *temporeras*, working in the fields and packing plants of the grape industry. Many of these women also maintain work on the family farm producing tomatoes, beans, peppers, garlic and melons for the national market. Employment in the fruit sector is highly seasonal; over half of all the women interviewed by Bee (2000) from two communities in the Guatulame valley only worked during the peak harvest months of December and January, and another third did not work for more than six months out of the year. Women are concentrated in the post-harvest processing jobs, including, in the case of the grape industry, selecting, cleaning and packing. About one-third of the women in the sample participated in field tasks.

THE GENDER GAP IN ACCESS TO LAND

The debate about the feminization of agriculture and the rural economy – which is taking place not only in Latin America, but also in many other parts of the developing world (FAO, 2002) – takes on special significance in the face of gender-based differences in access to key productive resources and markets. If rural women are playing larger and larger roles in food security, income generation and the rural economy as a whole, it is important to understand the barriers they may face in fulfilling their economic responsibilities and providing for themselves and their families. We first address land as a crucial asset for women's effective participation in the rural economy, important because property rights in land confer both economic and social access to various livelihood strategies. The following section then considers women's participation in off-farm rural employment.

On the one hand, land ownership clearly confers direct economic benefits as a key input into agricultural production; as a source of income from rental or sale and as collateral for credit, which can be used for either consumption or investment purposes. Depending on the norms governing intra-household decision-making and income pooling, women may not fully participate in these benefits if they do not share formal property rights over the land. Only independent or joint ownership can assure women access to control over land-based earnings. Comparative analysis of data from Nicaragua and Honduras, for example, suggests a positive correlation between women's property rights and their overall role in the household economy: greater control over agricultural income, higher shares of business and labour market earnings and more frequent receipt of credit (Katz and Chamorro, 2002).

In addition to the short- and medium-term economic gains generated by greater access to product, capital and land markets, women with stronger property rights in land are also less likely to become economically vulnerable in their old age, or in the event of the death of or divorce from a spouse. In her study of gender and inheritance in rural Honduras, for example, Roquas (1995) finds that widows (and women landowners in general) are more likely to work their lands indirectly, relying on some combination of hired labour, family labour and rental to generate income, and/or using the property as collateral for loans for non-agricultural undertakings. Moreover, for widows, land ownership may be one of the few vehicles through which elderly women can elicit economic support from their children, either in the form of labour contributions to agricultural production or cash or in-kind transfers. In the absence of other forms of social security, the elderly rural population relies heavily on inter-generational transfers for their livelihoods, and children are

more likely to contribute to their parents' well-being if the latter retain control over a key productive (and inheritable) resource such as land.

In addition to the direct economic benefits of land ownership, property rights may serve to empower women in their negotiations with other household members and with the community and society at large. Intra-household economic theory suggests that the strength of spouses' "fallback positions" or "threat points" (how well they can do in the absence of economic cooperation with their partners) is an important determinant of their ability to shape household preferences and therefore resource allocation decisions (see, for example, Katz, 1997). Data from Central America, for example, indicate that greater female landholdings are associated with modest increases in food expenditures and child educational attainment, controlling for other relevant household characteristics and unobserved preferences, with elasticities in the .01–.05 range (Katz and Chamorro, 2002). As discussed above, the bargaining power effects of property rights may also be important from an inter-generational standpoint: parents with inheritable land may be able to exert greater influence over their grown children in matters of economic support. Even beyond increasing bargaining power within the household, land rights may empower individuals to participate more effectively in their immediate communities and in the larger civil and political aspects of society. From a gender perspective, facilitating women's greater participation in these extra-household institutions has both the value of diminishing male dominance of community-level decision-making and the benefit of building up women's organizational skills, social networks and social capital. Women with property rights are more likely to be active members of their communities, and as a result, community institutions themselves are more likely to be responsive to the needs of women.

How do Latin American women acquire land? Data from several countries indicate that inheritance is the most important medium through which women become independent land owners: 54 percent of female-owned land in Brazil was inherited, 84 percent in Chile, 43 percent in Ecuador, 76 percent in Mexico, 75 percent in Peru, 47 percent in Nicaragua and 57 percent in Honduras (Deere and Leon, 2002; Katz and Chamorro, 2002). Laws and customs governing inheritance are therefore key to the gender distribution of land.[11] Women are

[11] Dirven (2001) argues that insofar as inheritance remains the principal form of land access in the region, significant amounts of land remain inaccessible to younger, potentially more innovative farmers until the death of their parents. In this context, inheritance to widows, which serves as a kind of "bridge" in a largely patrilineal inheritance system, further delays the passage of productive resources into the hands of rural youth.

eligible to receive property primarily in their roles as wives and daughters. Many Latin American countries limit the portion of an individual's property that s/he can freely will to others and subject the remainder to certain rules regarding the distribution to surviving spouses and children. In Nicaragua and Honduras, for example, property owners may cede up to 75 percent of their estate – high by Latin American standards – to whomever they choose, and the remaining 25 percent is set aside for widows (*porción conyugal*) (Deere and León, 2001). In the case of an intestate death, all Latin American countries designate the legitimate children of the deceased, regardless of sex, as the first beneficiaries of equal shares of the property (less the marital share). However, given widespread land scarcity, it is common for families to consolidate inherited property either through sales or more informal arrangements that allow one or several (usually male) siblings to retain control of the farm. In most of the region, only if there are no living children do wives become primary beneficiaries, eligible to share the estate with the parents of the deceased.

It is also noteworthy that the laws governing inheritance of property in general do not necessarily apply to land acquired under government-sponsored agrarian reform programmes; provisions for the latter are often more geared toward preventing fragmentation of holdings by limiting the number of inheritance beneficiaries to a surviving spouse and/or single child. From a gender perspective, the upshot of all of the laws governing inheritance is that landowners who leave wills have a fair amount of discretion regarding the disposition of their property – and are therefore likely to be influenced in their decision by intra-household norms and expectations – while those who die intestate (especially common among the poor) are subject to national law which gives priority to children and some protection to spouses.

Deere and León (2002), who have pioneered the research on gender and land in Latin America, argue that inter-generational inheritance patterns appear to be demonstrating greater gender equality over time. They attribute this trend to four factors: (1) rising literacy, which raises wives' and children's awareness of their legal rights regarding inheritance; (2) smaller family sizes associated with falling fertility, which leads parents to divide property more equally among siblings; (3) higher migration rates of young people, further reducing the number of potential heirs interested in remaining in the agricultural sector; and (4) the declining importance of agriculture in the livelihood strategies of rural households, reducing the income value of land and therefore making it less coveted by male family members.

TABLE 11
Gender and land reform in Latin America

	"First generation" agrarian reform and colonization programmes[a/]		"Second generation" land allocation and titling programmes[b/]		
	Female beneficiaries (%)		Female beneficiaries (%)	Form of female titles (%)	
	Individuals	Cooperatives		Individual	Joint
Bolivia	17				
Brazil	13				
Chile			43	100	
Colombia	11		45	43	57
Costa Rica			45		
Cuba	13	21			
El Salvador	11	12	34	100	
Ecuador			49	30	70
Honduras	4		25	100	
Guatemala	8				
Mexico		15	21	100	
Nicaragua	8	11			

[a/] Refers to state land redistribution programs covering the following periods: Bolivia 1954–1994; Brazil 1964–1996; Colombia 1961–1991; Cuba 1959–1988; El Salvador 1980–1991; Honduras 1962–1991; Guatemala 1962–1996; Mexico 1920–1992; Nicaragua 1981–1990.
[b/] Refers to state land allocation and titling programs covering the following periods: Chile 1993–1996; Colombia 1995–1998; Costa Rica 1990–1992; Ecuador 1992–1996; El Salvador 1993–1996; Honduras 1995–2000; Mexico 1993–1998.
Sources: Deere and Leon (2001), Tables 3.2 and 10.1

A second important means by which women in Latin America acquire land is through state-sponsored redistribution and titling programmes. Dating back to the 1960s for most Latin American countries, the majority of agrarian reform legislation privileged men by designating only household heads with agricultural experience as potential beneficiaries (Deere and León, 2001). Women, therefore, make up fewer than 20 percent of the beneficiaries in ten countries for which gender-disaggregated data are available (Table 11). However, a "second generation" of agrarian reform – one in which the clarification and legalization of property rights has taken precedence over redistribution – has seen the share of allocations and titles issued to women in the 1990s increase to close to 40 percent. Continued progress in the alleviation of legal, institutional and social barriers to women's land rights is crucial to reconciling the gap between

women's participation in the rural economy and their access to productive resources.[12]

GENDER AND RURAL NON-FARM EMPLOYMENT

While the female employment in the non-traditional agricultural export sector discussed earlier has been an important phenomenon in some regions of Latin America, rural labour markets are in general a less important source of income for women than the myriad forms of off-farm self-employment that are receiving increased attention in academic and policy circles. National-level case studies almost universally show that within the non-farm sector wage employment is dominated by men and self-employment by women. In Nicaragua, for example, men are approximately 15 percent more likely to engage in agricultural wage employment, and about 2 percent less likely to engage in non-farm self-employment (mostly small enterprises serving local markets), compared to women with identical individual, household and regional characteristics (Corral and Reardon, 2001). In Honduras, farm wage labour is primarily a male activity, with the exception of coffee harvesting, while non-farm wage employment is gender segregated by sector, with men working in construction, transportation and manufacturing and women in domestic service, administration and textiles.[13] Most rural self-employment in Honduras is undertaken by women with relatively low levels of educational attainment, in activities such as bakeries, tortilla-making, market stands, sewing workshops, photocopy services, repair shops and restaurants (Ruben and Van den Berg, 2001).

Evidence from several countries suggests that within the rural non-farm sector, women are significantly more likely to engage in low-productivity, low-return activities – what Lanjouw (2001) refers to as "safety net" employment. In El Salvador, for example, where women are largely excluded from the agricultural wage labour market, female employment is similarly concentrated in activities such as petty commerce. Compared to men with similar levels of human capital and landholdings, and controlling for household size and

[12] One example of a legal impediment to women's land rights comes from Honduras, where joint titles can only be issued to legally married couples, or couples in consensual unions who formally register their domestic partnerships. However, the costs involved in formalizing consensual unions are often prohibitive – or at least act as a significant disincentive – for couples who might otherwise be willing to register their property in both spouses' names.

[13] In Honduras, opportunities for female non-farm wage employment are quite developed in the northern region of the country, where joint-venture enterprises created in industrial free trade zones employ almost 50 000 people, primarily young women. Some of this work, especially in the textile industry, is carried out via subcontracting arrangements with local communities, in which home-based production plays an important role (Ruben and Van den Berg, 2001).

regional effects, economically active Salvadoran women are 50 percent more likely to report a non-farm employment as their primary occupation. Moreover, women are approximately only 7 percent more likely than men to be employed in non-farm jobs that pay above the average agricultural wage, but 37 percent more likely to be employed in "residual" activities in which earnings are below the market rate.[14] Consequently, women's earnings from non-farm activities are almost one-third lower than men's (Lanjouw, 2001).

In northeastern Brazil, where rural women are significantly more active in the agricultural sector compared to the rest of Latin America, they also make up half of the total non-agricultural rural economically active population, concentrated in the self-employed services and educational sectors. Comparing women and men with similar individual, household and regional characteristics, rural northeastern Brazilian men are somewhat more likely than women to have non-agricultural employment, but significantly less likely to rely on low-productivity, low-return sectors such as textiles, vending and services (Ferreira and Lanjouw, 2001). In Ecuador, where the average probability of primary employment in the non-agricultural sector is approximately 8 percent for men compared to 21 percent for women, men are also significantly more likely to be employed in non-farm jobs with earnings above the average agricultural wage. Women with similar characteristics have a much greater chance of working in low-return forms of self-employment and earn 70 percent less than men, holding other factors constant (Elbers and Lanjouw, 2001).

Why is off-farm self-employment so much more prevalent for rural women than for men across Latin America? The answer probably lies in a combination of supply and demand factors, as well as the differing asset endowment positions of men and women in the rural economy. On the supply side, self-employment may offer a degree of flexibility necessary for women who are trying to meet both reproductive and income-generating responsibilities; mothers with young children in particular need jobs that allow them to combine childcare with work. On the demand side, formal labour markets in Latin America tend to be highly segregated by gender (as well as by age and marital status), so that for many rural women there are simply no wage jobs available for them. Finally, asset constraints faced by rural women, in particular their lack of property in land, simultaneously limit their options to pursue self-employment in agriculture as independent farmers and their ability to obtain sufficient capital to undertake more remunerative forms of off-farm employment.

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[14] This may imply that rural labour market imperfections, including gender bias, render the relevant opportunity cost of time for women something less than the market wage.

Gender and rural development policy

What have Latin American governments done to address the needs of rural women and to enhance their contributions to rural economic development? Until quite recently, gender concerns were largely absent from most national rural development policy documents and more relevantly from the programming and financing of major policy initiatives in the areas of rural education, agricultural research and technology transfer, employment creation, credit provision and agrarian reform.[15] Since the mid-1990s, some countries – Colombia, Brazil and Costa Rica in particular – have made significant advances in "mainstreaming" rural gender issues into their national Equal Opportunity Plans and agricultural sector policies, but implementation remains incipient and uneven (FAO/RLC, 2002). Case studies suggest that serious programmatic attention to rural women as equal beneficiaries of traditional rural development projects such as in the provision of extension services can be remarkably successful, both in terms of meeting the productive needs of rural women and in terms of improving the overall quality of technical assistance (World Bank, n.d. and 2001; Ruiz and Strochlic, 2002). Innovative rural poverty alleviation programmes such as PROGRESA in Mexico target women as direct beneficiaries of cash payments, and rural girls' education is given explicit priority (see the Davis chapter in this volume). And we have seen in the earlier discussion of agrarian issues that most Latin American countries are making an attempt to include better rural women in the allocation and clarification of property rights in land. However, a great deal remains to be done to provide systematic support for rural women and their changing roles in the rural economies of Latin America.

There are at least three possible avenues for gender policy in rural development in Latin America, some of which share overlapping features. A detailed diagnostic analysis of the primary economic activities of rural women could suggest which approach would be most appropriate in a specific country or region. The first model would be to target support for women as independent farmers; this would pertain in circumstances where there are large numbers of female-headed households with some access to land, or in regions where women play particularly large roles in family farming (such as parts of the Andes, as described by Hamilton, 1998). Such a policy would give priority to facilitating women's access to key productive resources such as land and credit, as well as training and technical assistance tailored to the crops and activities undertaken by women. A second type of rural gender policy could focus on

[15] Rural health initiatives are somewhat of an exception, since many governments target women as part of family planning/reproductive health programmes.

supporting women's participation in the off-farm labour market: on the supply side by investing in targeted literacy and education programmes for women, infrastructure and transportation linking women's residence to their worksites[16] and community- or workplace-based childcare facilities;[17] and on the demand side by promoting rural employment and by legislating and enforcing gender equality in the labour market. Some advocates place particular emphasis on enhancing women's non-agricultural wage labour opportunities, since the available evidence suggests that this is where the greatest relative income gains for rural women are found (Berdegué *et al.,* 2001; Reardon, Berdegué and Escobar, 2001). Finally, given the importance of self-employment for rural women, attention could be focused on "upgrading" women's low-productivity, low-remuneration activities with infusions of training and capital and infrastructure improvements, as well as programmes to ease the double burden of domestic labour and income generation.

Conclusions

What can we conclude about the role of women in the rural economies of Latin America?

First, consider the evidence on trends in the rural population. There is a clear correlation between feminization of the rural population and male bias in international migration. It is precisely in those countries (Mexico and most of Central America) sending a greater proportion of males than females to live and work in the United States that the ratios of women to men living in the countryside are also increasing. In much of the rest of the region – where the costs associated with U.S. migration are significantly higher – the greater tendency of women to migrate internally and intra-regionally has continued to heighten the rural male sex ratios.

Turning to the evolution of the rural labour force, we again see significant differences among countries, even within the clear overall regional trend of increasing rates of rural female economic activity rates and greater representation

[16] In their study of Mexican *ejido* households, de Janvry and Sadoulet (2001) find that education has a larger participation-inducement effect for women than for men in most non-agricultural wage employment and in self-employment. Their data also indicate that rural women's participation rates in non-agricultural wage employment are much more strongly influenced by ease of access to urban centres. Taken together, these results suggest that targeted educational and infrastructure/transportation programmes could facilitate Mexican rural women's income earning opportunities.

[17] A particularly promising example of rural childcare provision is the Community Wellbeing Centres in Colombia (see Perotti, 2000).

within the rural workforce. For the region as a whole, approximately one-third of working-age women are considered economically active, and women make up over 25 percent of the total rural EAP. But rural female economic activity rates range from a low of 8 percent in Paraguay to a high of almost 40 percent in Brazil, and women as a percent of the rural EAP also vary from 9 to 32 percent. The highest rates of change in both female rural economic activity rates and female shares of the rural EAP over the past 20 years appear to be taking place in some of the countries that have most aggressively pursued the non-traditional agricultural export strategy, including Ecuador, Chile, Guatemala and Honduras.

Does feminization of the rural workforce necessarily translate into a feminization of agriculture? At the regional level, official statistics count only about one-third of economically active rural women as working in the agricultural sector. While these figures almost certainly underestimate women's unpaid contributions to the family farm, it does seem to be the case that non-agricultural employment is relatively more important for rural women than it is for rural men. Nevertheless, at least some proportion of the increasing number of women in the rural labour market are working in agriculture, and some data indicate growing female shares of the agricultural labour force, again especially in countries with large non-traditional agricultural export sectors.

What explains the changing roles of women and men in the Latin American rural economy? A confluence of demographic, social and economic trends over the past 20 to 30 years has generated important changes in women's relative abilities and needs to participate more visibly in their households' livelihood strategies. Rural Latin American women are more highly educated and are having fewer children than they were 20 years ago; this gives them both the skills and the time to join the rural workforce. Female household headship in rural areas – both *de jure* and *de facto* as a result of male outmigration – is on the rise, with implications for women's responsibilities to become the sole or primary economic providers for their children. Economic liberalization has provided incentives for families to intensify their use of unpaid (and female) labour to grow subsistence crops, and the expansion of non-traditional agricultural exports has created an unprecedented demand for rural women's seasonal wage labour. Taken together, these changing economic and social circumstances have had important consequences for the extent and nature of women's participation in the rural economies of the region.

Finally, what are the constraints faced by women as they play more and more active roles in achieving household food security, generating incomes and contributing to agricultural export earnings? It is well-known that gender

gaps pervade both the rural labour and capital markets: labour markets are segregated, women are systematically paid less than men and it is more difficult for women to obtain access to credit.[18] However, until recently, relatively less attention had been paid to the importance of women's land rights as a source of both economic and social access and empowerment. Greater gender equality in two of the principal means by which women obtain access to land – inheritance and state-sponsored allocation and titling programmes – is therefore essential to enabling women to more effectively participate in the Latin American rural economy. The importance of non-farm employment, particularly low-productivity forms of self-employment, is also increasingly becoming recognized as a key source of independent income for rural women in Latin America. Rural gender policy therefore needs to pay greater attention to the human and financial capital constraints facing poor rural women as they attempt to piece together livelihoods from often marginal activities, as well as to the very real limitations placed on women's economic activity by their domestic responsibilities.

Research on gender in the rural economies of Latin American has advanced substantially over the past couple of decades. Increasingly, national level data on key indicators such as rural employment and earnings are disaggregated by sex, allowing researchers and policymakers to identify the basic parameters of rural women's involvement in the rural labour force. Greater gender awareness among agricultural researchers has led to better documentation of the nature of the gender division of labour in agriculture, and some national-level household surveys are collecting gender-disaggregated data on land ownership. However, a great deal remains to be done, both in terms of systematic data collection and with regard to policy-oriented analysis.

With regard to improving data for gender analysis of the rural economy, there are three priority areas: employment, land tenure and migration. National labour statistics continue to significantly underestimate rural women's on- and off-farm self-employment. The ILO and the FAO have developed detailed recommendations for the improved collection of gender-disaggregated rural employment data from labour force surveys and agricultural censuses, respectively, the implementation of which would greatly enhance policymakers' understanding of the scope and content of rural women's contributions to the rural economy. It is also imperative that Latin American agricultural censuses begin to collect gender-disaggregated information on land ownership, rental and other forms of access to this key productive resource. Finally, population

[18] See for example Psacharopoulos and Tzannatos (1992) and Kleysen (1996).

censuses and immigration statistics should be revised so that researchers can keep better track of internal and cross-border migratory flows by gender and by area of origin (i.e. rural vs urban).

Future avenues of research

The principal trends in the role of women in the rural economies of Latin America suggest several areas of research that could be most useful to policymakers. First, we need a better understanding of the effects of rising levels of education on rural women's labour force participation and migratory propensities; what can we expect from the new generation of young rural women, many of whom are completing secondary school? Second, comparative quantitative research on "non-traditional" agriculture and rural industry across the region could be extremely helpful in assessing which types of rural development strategies are most beneficial to women in terms of increased employment and income-generating opportunities. A third component of a research agenda concerns the informal self-employment that is important for so many rural women in Latin America. More research is needed on how this sector operates, including forms of financing, marketing and linkages with agriculture and other aspects of the rural economy. Finally, a surprisingly neglected area of research is the formation and livelihood strategies of rural female headed households, which make up an increasingly large percentage of the rural population and the rural poor.

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Chapter 3

Innovative policy instruments and evaluation in rural and agricultural development in Latin America and the Caribbean

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INTRODUCTION[1]

Over the last decade, the countries of the Latin America and Caribbean region have pioneered a series of innovative programmes in rural development. These innovations have covered the whole span of rural activities and assets including human capital formation, the development of off-farm activities as well as the more traditional agricultural and livestock production. Specific interventions have ranged from conditional cash transfer programmes linking rural anti- poverty alleviation to human capital building, conditional cash transfer programmes linking trade liberalization compensation to continued agricultural production, demand-driven agricultural technology transfer schemes, the reform of agricultural research, school decentralization programmes and social investment funds.

In general, these programmes reflect current thinking on social and agricultural policies, which has moved away from universal supports for either consumers or producers to targeted cash transfers, financing or other non-monetary interventions. They represent an important shift in how rural policy is carried out in Latin America and are thus controversial. They imply the construction of new institutions, some of which are highly centralized, while others are decentralized and participatory. The experience to date and in coming years of these programmes is very relevant for the context of other countries.

The objective of this chapter is to provide an introduction to one set of this new generation of programmes. Thus this chapter focuses on those programmes with all or most of the following characteristics: (i) targeted to specific households; (ii) use cash as an incentive to modify individual behaviour; (iii) make receipt of transfers conditional on certain actions by beneficiaries; (iv) channel transfers to women; and (v) are rigorously evaluated. Thus

[1] The author is an economist with the Agricultural and Development Economics Division of the FAO. Thanks go to Saul Morris, Luis Gomez Oliver, Maria Grazia Quieti and Paul Levin for detailed comments, with all errors and omissions the responsibility of the author.

while we leave aside other important innovations in social policy and rural development from the last decade, we take stock of some of their experiences which are relevant for the programmes under discussion here.[2]

Targeted: Targeting involves directing the intervention to specific regions, communities, households and/or individuals. The level of targeting will vary with the nature of the programme and the characteristics of potential beneficiaries, for example the relative level of homogeneity or heterogeneity within the potential beneficiary population. Targeting may be carried out by different levels of government, include participation from the local community or even involve the potential beneficiary her or him self.[3] The rationale for targeting stems from both efficiency and equity concerns. Properly targeted programmes should have a greater and more focused impact by providing assistance to those who need it most. The reduction in inequality brought about by targeting also may have a positive effect on overall economic growth (Ravallion, 2002). Targeting, however, is not necessarily easy to accomplish in political terms, as the target population is usually the poorest and most politically disfranchised segment of the national population.

Cash transfer: Cash is often preferred over in-kind transfers for a number of reasons.[4] First, cash transfers are generally a more efficient means of achieving a desired impact. In-kind aid, whether it is food or agricultural inputs, involves significant transaction costs and may distort local markets for those goods that are distributed. For example, local agricultural producers may be negatively impacted by the influx of free food into a region. Second, cash transfers are considered to lead to the greatest increase in household welfare, because presumably the household knows best how to spend its money. While in most of the examples discussed here beneficiaries are free to spend their transfers as they please, some programmes restrict spending to certain items, in particular food. This is the nexus of the debate over the introduction of the new *Fome Zero* anti-hunger programme in Brazil, for example.

Conditionality: Conditionality forms part of the new generation of programmes for a variety of reasons. First, conditionality assigns responsibilities to the beneficiary family. Households are not passive recipients of state aid, but must

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[2] For a review of the experience of social investment funds, see Rawlings, Sherburne-Benz and Van Domelen (2001). For other recent papers on conditional transfers see Rawlings and Rubio (2003) and Ilahi, Sedlacek and Gustafsson-Wright (2000).

[3] Coady, Grosh and Hoddincott (2002) provide a comprehensive review of targeting mechanisms.

[4] Tabor (2002) and Peppiatt, Mitchell and Holzmann (2001) review the experience of cash transfers in non-emergency and emergency situations.

take action in a consistent and responsible fashion in order to receive payment. Second, conditionality constitutes an effective way of enticing poor households to carry out actions that have public externalities, such as receiving preventative health checkups and sending their children to school. Third, conditionality is seen as an effective way of encouraging investment in human capital accumulation, which parents may be unable or unwilling to provide to their children due to poverty or lack of information. Finally, conditionality may also serve as a means of self-targeting, as not-so-needy families, or at least those that do not value the transfers as much, may be unwilling to fulfil these responsibilities.

Payments directed to women: In almost all of the cases described here, payments are made to mothers, in order to assure compliance with conditionality and assure maximum impact on positive spending. This concept, which has become conventional wisdom in the development arena, is based on empirical evidence found in the development literature that females spend income differently than men. In particular, women are more likely to spend own-earned income on nutrition and children's health and education while men are more likely to allocate income under their control to tobacco and alcohol. These gender differences in the allocation of income seem to be especially relevant among poor households.[5]

Evaluation: A crucial component of most of these innovative programmes is rigorous impact evaluations that are built into the design of the intervention. In most cases this has entailed the collection of experimental panel household data, as well as case study qualitative data. These evaluations tend to be conducted by external organizations as a way of ensuring legitimacy and accountability in the context of historical political use of transfer programmes. They provide invaluable insight into the incentive structure and processes of an intervention, and as such form an essential part of policy design and of the agricultural and rural development process itself.

Of the five aspects characterizing these programmes, this chapter will focus primarily on the issue of evaluation: the importance of evaluation forming part of the original design process, what can be obtained from a well-conceived evaluation and, finally, some results from recent evaluations. The conditional cash transfer programmes' experience with rigorous evaluations is of paramount importance, as it presents a good example of what other programmes in the area of rural development could adopt. Through fits and starts, projects in other sectors, particularly in agriculture and livestock, are attempting to apply these concepts where appropriate.[6]

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[5] See, for example, Haddad, Hoddinott and Alderman (1997) and Thomas (1997).

The programmes discussed in this chapter provide a wealth of experience as well as data to analyse and reflect upon. The ultimate goal here is to identify unresolved and/or debated design and implementation issues, as well as impact analysis, which merit further reflection and research. The chapter is organized as follows. Following this introduction we briefly describe the major existing conditional cash transfer programmes in the Latin American and Caribbean regions. Next, we focus on the role of evaluation in these innovative programmes and provide a summary of the results of recent evaluations. The chapter closes with a discussion of future research directions.

DESCRIPTION OF CONDITIONAL CASH TRANSFER PROGRAMMES

The bulk of the conditional cash transfer programmes link cash transfers to human capital formation in the form of education, health and nutrition. One programme, however, PROCAMPO from Mexico, was conceived as a mechanism for compensating basic grain producers under trade liberalization. Chronologically the first of this new generation of conditional cash transfer programmes in the Latin American and the Caribbean region, payments in this programme are linked to continued agricultural production. Below we provide a detailed description of conditional cash transfer programmes currently in existence. They are listed in chronological order from year of inception.

PROCAMPO (Programme of Direct Payments to the Countryside) in Mexico

Cash transfer schemes were part of policy changes that included the ending of government subsidies in the agricultural sector, on the theory that terminating subsidies on agricultural inputs and outputs removes market distortions, allowing resources to be allocated more efficiently. PROCAMPO was initiated at the same time as the NAFTA agreement (1994) and was designed as a 15-year transition to free trade. It is expected to terminate in 2008. The level of eligibility is dependent on the total hectares of nine key grains and oilseeds (corn, beans, rice, wheat, sorghum, barley, soybeans, cotton and cardamom) that were planted in the three agricultural years prior to and including August 1993. The prices of these crops were expected to drop as a result of the trade agreement, and PROCAMPO was designed to compensate for losses incurred by producers. Eligibility was actually given to land parcels and those with usufruct over those land parcels, not to particular farmers, and payment is meant to go to whomever

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[6] The FAO Regional Office in Latin America and the Caribbean has recently begun a working group on incorporating impact evaluation into rural development projects in the region.

is planting the property, whether owner, renter or sharecropper. Theoretically, the farmer receiving payment for a particular property may change, depending on who is using the land, though in practice most benefits accrue to the owner, either directly or through the rental price. The eligibility roster was fixed prior to commencement of the programme; no new properties have been added since 1994. Since PROCAMPO is geared toward farmers, the primary recipients of the cash transfers are male landowners. Although not explicitly a poverty alleviation programme, the transfers are widely distributed across rural Mexico and many recipients are categorized as poor. Payments are made directly to producers, and can be used as collateral against which to borrow from lenders or input retailers.

Since there are potentially two agricultural seasons per year, PROCAMPO payments may be made up to twice a year, though in general only farmers with access to irrigation can take advantage of the second agricultural season. Payments correspond to the amount of land currently under production, which cannot exceed the amount of land registered in the eligibility roster. Farmers must prove that the parcel is currently under production, but until recently monitoring of actual planting was haphazard, and many devices are employed to skirt this requirement. In any case, given that the programme is based on past agricultural production and the requirement that farmers continue producing or participate in an official environmental management programme,[7] the intervention is closely and intentionally linked to agricultural production.

The real value of PROCAMPO payments fell 35 percent between 1994 and 1996. Only in 2001 did payments per hectare, as well as total PROCAMPO expenditures, in real terms reach the original 1994 levels. The per-hectare payment in 2002 was set at 875 Pesos, or US$90. PROCAMPO annually reaches almost three million producers each year, covering almost 14 million hectares of land. The programme has a budget of US$1.24 billion for fiscal year 2002 (Fox, 2002).

Since PROCAMPO is distributed on a per-hectare basis, larger farms tend to get higher total transfers. Overall payments are regressively distributed; the 45 percent of producers with farms smaller than 5 hectares receive only 10 percent of total PROCAMPO transfers (SAGAR, 1998). Payments are progressively distributed on per hectare basis, however, as they are uniform per hectare, and thus unrelated to yields achieved and whether households were selling basic crops before NAFTA. That is, poor subsistence farmers received the same amount, per hectare, as wealthy modernized farmers. Transfers

[7] In practice, however, less then one percent of all PROCAMPO land forms part of an official environmental management programme.

thus reach (and overcompensate) producers who had never benefited from pre-NAFTA price support programmes due to lack of marketed surplus, but undercompensate farmers who had benefited fully from subsidies.

Bolsa Escola in Brazil

Bolsa Escola programmes were first introduced in 1995 in Campinas in the State of Sao Paolo and in the Federal District, Brasilia.[8] *Bolsa Escola* has four objectives: i) increase educational attainment, thus reducing poverty in the long run; ii) alleviate short-term poverty; iii) reduce child labour; and iv) serve as a safety net for the amelioration of the impact of negative shocks. Since the administration of public policy in Brazil is highly decentralized, in its early stages various permutations of the original *Bolsa Escola* were implemented in different municipalities and states. By 1998, more than 60 programmes were in operation covering a total of 200 000 mostly urban families (World Bank, 2001a). Decentralization has meant not only local control, but also local financing, as municipalities were responsible for part of the total cost of the programme. This arrangement created perverse inequalities as the poorer municipalities were the least likely to be able to afford to cover all needy families.

In all cases household cash transfers were tied to children's school attendance. For the most part the programme targeted children aged 7–14, though this varied by municipality. Payments were channelled directly to the mother, and the actual level of payment varied by municipality. Other programme details differed as well; for example, in Brasilia a sum equivalent to one minimum wage was deposited into a savings account in the name of the child beneficiary. The money could be withdrawn only when the student completed the eighth grade.

Selection of beneficiaries entailed two stages of targeting. First, the programme identified the poorest neighbourhoods in a given municipality. Next, beneficiary households were selected based on a combination of an income test and a score system, which is similar to a proxy means text. A series of household characteristics were assigned points; weighting of each characteristic varied by municipality. The income test – half a minimum wage – did not vary by municipality, though it probably should have, given regional variance in prices. In most cases, only families with school age children and who had lived in a municipality for a specified period of time were allowed to participate (World Bank, 2001a).

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[8] A history of the development of the *Bolsa Escola* concept and the implementation of the programme can be found in Aguiar and Araujo (2002), as well as the *Bolsa Escola* Web page (http://www.mec.gov.br/bolsaescola/estrut/serv/historico/default.asp).

The programme was greatly expanded in 2001 with the creation of the federal *Bolsa Escola*. This new programme involved the integration of previous *Bolsa Escola* experiences with another major federal programme, the FGRM (Guaranteed Minimum Income Fund), which had begun operations in 1997. Payments are now made directly to the mothers' account at a public bank, Caixa Economica Federal, and withdrawn using electronic cards. The federal government is now responsible for 100 percent of the funding for the programme. The ages have been expanded to 6–15 years of age, and the goal of the federal *Bolsa Escola* is to reach 10.7 million children drawn from 5.8 million households with monthly per capita incomes of less then R$90 (or US$36). The transfer is R$15 per month per child, for up to three children per household. As of December 2001, the programme reached 4.8 million households, covering 8.2 million children, in 5 470 municipalities (or 98 percent of all municipalities), with a monthly budget of R$123.7 million (*Bolsa Escola*, 2002). Municipalities still introduce innovations; in the *Renda Cidada* programme in the State of Goias, for example, households may spend the transfer only on food, and the city of Sao Paolo provides additional funding and stricter verification of targeting.

PETI (Child Labour Eradication Programme) in Brazil

The PETI programme was introduced in 1996 by the federal government with the goal of reducing the incidence of child labour in rural Brazil through education-related grants. While it is illegal in Brazil for children under the age of 14 to be employed in labour activities, including family economic activities, many children still work. In 1999, approximately 37 percent of children age 10–14 living in rural areas, and 8 percent in urban areas, were engaged in labour activities. Most of these labour activities were unpaid, family agricultural labour, with large regional differences in incidence, and boys were almost twice as likely as girls to be working (World Bank, 2001b).

The PETI was thus originally designed to remove and protect children aged 7–14 from the worst forms of child labour, and thereby targeted children already working or those at risk of working. The programme is implemented in rural areas and specifically in areas with the highest incidence of risky child labour. This included, for example, agave production in Bahia and sugar cane production in Pernambuco. As with *Bolsa Escola* and most of the other conditional cash transfer programmes, payments are directed towards the mother and are conditional on two actions by the family. As in *Bolsa Escola* children must attend school, but in addition they must attend a *jornada ampliada*, or after-school programme. This after-school programme is intended to provide additional educational and recreational stimulus for the children and

most importantly hinder them from combining work and school. The actual content of this after-school programme varies by municipality. PETI also provides the children with a school lunch (World Bank, 2001b). Parents are also encouraged to participate in complementary programmes, such as PRONAGER (Generation of Employment and Income in Poor Areas Programme), in order to improve household incomes and thus reduce in the long term household dependence on income from child labour.

Targeting was carried out in two steps. First, municipalities with a large incidence of the worst forms of child labour were selected by the State Commission for the Prevention and Eradication of Child Labour. Second, Municipal Councils for the Eradication of Child Labour carried out the selection and registration of families. Households did not have to enrol all eligible children in a family, thus creating the possibility that participating children gain at the expense of non-participating siblings who may receive a greater work load. By 1999 PETI covered over 130 000 children, and the programme is expected to increase coverage in the next phase to over 800 000 children (World Bank, 2001b).

PROGRESA (National Programme for Education, Health and Nutrition) in Mexico

PROGRESA is a national anti-poverty programme begun in 1996 with the goal of developing the human capital of poor rural households by improving education, health and nutrition outcomes. Cash transfers are conditional on school attendance by household children in the third through eighth grade, basic health care for all family members and public health classes for adults. Households receive separate monetary transfers for education scholarships, educational materials and general consumption. In addition, pregnant and lactating mothers and infant children receive nutritional supplements. The required health checkups are subsidized. Payment for the scholarship component varies by gender and grade of the child beneficiary, and transfers are provided directly to mothers. Payments are made directly to beneficiaries via periodic cash disbursements through a private financial network. Households receiving PROGRESA are not permitted to receive other forms of anti-poverty or education subsidies.

The selection of eligible households was done in three stages. First, potential recipient communities, the smallest administrative unit in Mexico, were identified as poor based on a marginality index developed from the national population census. This marginality index was constructed using community data including the share of illiterate adults, access to water, drainage and electricity, number

of occupants per room, dwellings with a dirt floor and population working in the primary sector. The more marginal communities were considered potential target locations and were further evaluated based on location and existence of health and school facilities. After communities were identified, the second step was to select households for participation in PROGRESA based on data collected from a household census carried out within the community. Scores were produced for each household using a statistical procedure, discriminate analysis, and households above a certain line were included as beneficiaries. After households were initially identified as potential participants, the third and last step was to present a list of these households to the community assemblies for review and discussion, though in practice this review was perfunctory and the lists were rarely modified (see Skoufias, Davis and de la Vega, 2001 and PROGRESA, 1998).

With the Fox administration in 2001, PROGRESA changed its name to OPORTUNIDADES and expanded operations to urban and semi-urban areas (into communities with a population of over 2 500 inhabitants). High school age children were incorporated into the programme, and targeting techniques have been adapted to urban realities. From the beginning of 2002, public media campaigns were conducted inviting households living in poor neighbourhoods to apply for the programme. Potential beneficiary households were then visited at home (Gutiérrez, Bertozzi and Gertler, 2002).

The PROGRESA budget for 2002 reached US$1.9 billion, covering almost three million rural families and over 1.2 million urban and semi-urban families. For girls in the first year of secondary school, the 2002 monthly payment was US$31. Since 1997, this payment has increased, in real terms, by 47 percent (Fox, 2002).

PRAF-II (Family Allowance Programme) in Honduras

PRAF-II began in 2000 implementing a programme of household cash transfers covering 40 municipalities with a total population of approximately 400 000. The primary objective of the programme is to increase human capital accumulation among the poor, through increased demand for and quality of primary education and health services, as well as improved feeding and hygienic practices of mothers with small children and improved nutritional status of small children. Given availability of funds, the second phase of PRAF was limited to the 80 poorest municipalities in the country. Municipalities were selected based on the nutritional status (age- and sex-standardized height) of children attending first grade, which is almost universal in Honduras. Height-for-age is considered a good indication

of chronic malnutrition, and thus serves as a proxy for both poverty and food insecurity. Data were taken from the 1997 First Grade School-children Height Census, and Z scores were standardized with reference to a healthy United States population, as is customary. After municipalities were ranked by Z scores, they were randomly allocated into three treatment groups and one control group for evaluation purposes. This evaluation design is quite unique in that three distinct treatment groups are constructed. One receives just cash transfers, a second cash transfer plus improvements in service (education and health) quality and the third only improvements in service quality.

The PRAF-II interventions comprise two distinct sets of household transfers: the first for primary school age children (aged 6 to 12) and the second for pregnant women and children under three. Within the forty municipalities randomized to this intervention, all households with young or primary school age children or pregnant women are eligible to receive the transfer, but they face removal if they do not comply with required prenatal check-ups, growth monitoring, vaccinations and school attendance, depending on the case. A maximum of two beneficiaries per household is permitted for the health transfer and three for the education transfer. The programme also provided funds to schools and health centres to improve the supply of services commensurately with increased demand. Benefits are channelled to mothers, and the programme is administratively centralized (MNPTSG, 2001; IDB, 2001; and IFPRI, 2001a).

RPS (Social Protection Network) in Nicaragua

The RPS began in late 2000 to operate a pilot phase and currently reaches approximately 6 000 geographically targeted rural households located in northern Nicaragua. A marginality index was required in order to rank census segments for targeting purposes. The index was composed of four variables (household size, percentage of households without potable water, percentage of households without latrines and percentage of illiterate adults), which were weighted by the coefficients derived from ordinary least squares regression analysis of the determinants of extreme poverty, using household data and a larger group of variables (Arcia, 1999). The expansion phase of the RPS currently underway, incorporating another 4 000 households, will utilize poverty maps based on a small area estimation strategy.

The interventions include two sets of household transfers: one for primary school age children (aged 7 to 13) and one universal transfer. Virtually all (97.5 percent) households in 21 pilot census districts are eligible to receive the

transfer, the exceptions being those that reported owning a vehicle of some kind or more than fourteen hectares of farming or grazing land. Beneficiary households are required to take part in a programme of health education, attend child growth and development monitoring sessions and keep vaccinations up to date if they have children of the appropriate age group. School aged children are required to be in school. The RPS also specifically targets the mother, or responsible female adult, of the family to receive the benefits. The programme was originally centralized in an autonomous agency of the federal government, but has since been relocated in 2002 to the new Ministry of the Family (IFPRI, 2002; Government of Nicaragua, 2001 and MNPTSG, 2001). Despite the success of the pilot, described below, political support for the expansion of the RPS has been lukewarm.

Bolsa Alimentação in Brazil

Bolsa Alimentação is a recently created federal anti-poverty programme in Brazil, begun in 2001. The design is very similar to health components of PROGRESA and the Central American interventions, though cash transfers are limited to poor families with pregnant and lactating women and/or infants and young children under six years of age. Programme objectives include i) reducing the incidence of infant malnutrition and mortality; ii) linking families at risk, and particularly mothers and infants, with the health system; and iii) focusing beneficiary families on other actions that can help improve their socio-economic status.

Conditionality is linked only to health care usage (prenatal care and growth monitoring, vaccinations and health education) and not education, which is instead dealt with by the *Bolsa Escola* programme. Given the targeting of different aged children and the split between health and education, *Bolsa Escola* and *Bolsa Alimentação* are complimentary. As with the other Brazilian programmes, each *Bolsa Alimentação* beneficiary will receive R$15 a month, for a maximum of R$45 per month per family. Similarly, payments are made through direct deposit to the mothers' account at the Caixa Economica Federal and withdrawn using electronic cards. As of December 2002, the programme is operating in over 4 000 municipalities, reaching more then 1.4 million beneficiaries (IFPRI, 2001b; *Bolsa Alimentação* Web page, 2003).

PATH (Programme for Advancement through Health and Education) in Jamaica

PATH is a new conditional transfer programme, initiated as a pilot in 2002, designed to transform the existing social safety net system in Jamaica into a more

efficient system of social assistance for the poor and vulnerable. Overall, PATH is very similar in terms of content and objectives to the other conditional cash transfer programmes described above. What is unique about the programme is that in addition to focusing on families with children of school age (6–18 years), small children and pregnant and lactating mothers, PATH specifically targets the elderly and disabled. The programme also uses a somewhat different targeting system. Households are included based on a proxy means test. Households are not visited, however, to collect the requisite information, but instead, as with the urban version of PROGRESA, families are invited to visit PATH offices and apply for the programme. This process is then verified afterwards using random sample techniques. Payments are made through the Post Office, and the transfer is the same for all types of beneficiaries. The programme is scheduled to reach 236 000 individuals over a period of four years, at a total cost of US$77.5 million.

Cartão Alimentação in Brazil

The *Cartão Alimentação*, launched in February of 2003, is a key component of the *Fome Zero* programme, which itself forms the centrepiece of recently-elected President Luiz Inácio Lula da Silva's efforts to end hunger in Brazil. Like its predecessor conditional cash transfer programmes *Bolsa Alimentação* and *Bolsa Escola*, *Cartão Alimentação* provides monthly a fixed amount of cash (R50) to the mother or responsible female in families whose per capita income is less then one half the minimum wage. This payment is guaranteed for at least six months, with the same payment mechanism as the other programmes. However, unlike *Bolsa Alimentação* and *Bolsa Escola*, households are restricted to spending the transfers only on food items, which is verified by the household providing receipts for the amount of the transfer. No other conditionality is imposed. Under the auspices of the larger *Fome Zero* programme, *Cartão Alimentação* is accompanied by other local development initiatives at the municipal level, including for example adult literacy, cistern provision, school feeding, as well as programmes more regional or national in scope, including land reform and support for small-scale agriculture. While currently using the same basic targeting instrument as *Bolsa Alimentação* and *Bolsa Escola*, the *Cartão Alimentação* gives a much larger role to local administrative bodies, made up of representatives from local government and civil society, in correcting targeting errors. These local administrative bodies also play a key role in verifying restriction on spending of the transfer (Presidencia da Republica, 2003).

The objectives of *Cartão Alimentação* are ambitious; initially begun as a pilot in two municipalities of the semi-arid northeast, as of May 2003 the transfer was reaching 39 051 households in 111 municipalities (*Fome Zero*,

2003), with the goal of reaching 1 million households by the end of 2003. At the time of this writing, however, debate was continuing in Brazil regarding the possible integration of the different cash transfer programmes described in this chapter. Some type of integration or coordination seems likely and desirable, given that the programmes share targeting mechanisms and information systems and given the overlap of target populations.

New generation of evaluation techniques and requirements

The important role that evaluation techniques should play in the selection, design, implementation and impact evaluation of rural programmes has gained increasing recognition in recent years. This is evident in the growing number of government and international organizations that require serious evaluations of specific programmes. Evaluation techniques can serve to improve implementation and efficiency of programmes after interventions have begun, provide evidence as to the cost efficiency and impact of a specific intervention and provide information on comparison of interventions within and between policy sectors. Consensus is growing on the value of spending relatively small amounts of resources (typically around 1 to 5 percent of project costs) for programme evaluations. While the new generation of targeted cash transfer programmes has led the way in terms of incorporating rigorous and comprehensive evaluations, the concept is slowly expanding to other sectors, most notably agricultural technology transfer programmes. In this section we discuss a variety of evaluation techniques, including the appropriateness of quantitative and qualitative methods for different kinds of interventions; the identification of the appropriate persons or institutions to carry out evaluations of public sector programmes and the implications of the recent trend towards legally mandated evaluations in a number of LAC countries. We close with a presentation of results from a number of these evaluations.

Components and methods

A project evaluation can incorporate part or all of a series of components, depending on budget, objectives and the nature of the intervention.[9] These components include (Baker, 2000):

- Process evaluation: how a programme operates, focusing on problems in service delivery;
- Theory-based evaluation: assessment during intervention of the explicit or implicit assumptions of programme design, in order to pinpoint where this

[9] Here we focus only on evaluation, and do not discuss programme monitoring, which covers the continuous feedback on the status of programme implementation.

process may break down (where intended or unintended incentives may lead people to behave in an unexpected fashion);

- Impact evaluation: attributing causality to an intervention;
- Cost benefit/effectiveness: programme costs, in relation to alternative uses of the same funds.

A variety of methods, both qualitative and quantitative, are available for a project evaluation, and any one evaluation may include a different combination of methods, again depending on budget, objectives and the nature of the intervention. The choice is also dependent on the intended audience, as different kinds of decision-makers need to be confident to lesser or greater degrees that any observed effects are in fact due to the project or programme. Quantitative methods use primary or secondary data found in surveys to reach conclusions, hopefully based on some type of statistical rigour and certainty; we discuss difficulties associated with quantitative methods below. Qualitative methods (focal groups, open ended interviews, expert opinion) can provide a different perspective (Baker, 2000; Rawlings, Sherburne-Benz and Van Domelen, 2001):

- Understanding of processes, behaviours and conditions as they are perceived by the individuals or groups being studied, or by specialists or other outside observers;
- Different perspectives on what are the important outcomes (for example, poverty verses vulnerability);
- Analysis of social processes (conflict and capital) and institutional development;
- Interpretation, providing detail and richness to quantitative data/ conclusions.

A new generation of evaluations

The new generation of evaluations is noteworthy for two reasons. First, new rigour and techniques have been brought to bear in quantitative evaluations, particularly in terms of attributing causality to specific interventions where historically impact evaluations have not been conducted. Governments and international organizations are increasingly willing to commit the necessary resources for this type of evaluation. Second, barriers between evaluation practitioners from different schools (particularly between economists, nutritionists and sociologists/anthropologists) are slowly being reduced and as a result quantitative and qualitative methods have been brought together in innovative ways. Enough experience has been gained with these new evaluations to suggest some best practices.

Impact evaluation

The purpose of an impact evaluation is to establish the known probability that the findings of the impact of a specific intervention on intended beneficiaries may be a chance configuration of the data. The identification of the counterfactual is the organizing principle of an impact evaluation; that is, what would have happened to the beneficiaries if they had not received a particular intervention. The "with" data are observed in a household survey that records outcomes for recipients of the intervention. The "without" data, however, are fundamentally unobserved since a household cannot be both a participant and a non-participant of the same programme.[10]

The counterfactual is identified by selecting a control group. A group of control households should be chosen from non-beneficiaries to be representative of the group of participants with one key difference: the control households did not receive the intervention. The outcomes of non-beneficiaries may differ systematically from what the outcomes of participants would have been without the programme, producing selection bias in the estimated impacts. This bias may derive from differences in observable characteristics between beneficiaries and non-beneficiaries (location, demographic composition, access to infrastructure, wealth, etc.) or unobservable characteristics (natural ability, willingness to work, etc.).

The history of project impact evaluation, however, is littered with evaluations which claim to attribute causality but without correctly creating a counterfactual. This is particularly true when evaluations are hastily arranged *ex post*. In these cases, causality is incorrectly attributed to a specific intervention. The distinguishing characteristic of the new generation of evaluations involves attempting to set correctly these counterfactuals. A variety of designs are available, each with different advantages and disadvantages in terms of ease of use, cost and robustness of results.

Establishing the known probability is only possible with a randomized (experimental) design. An experimental design, if done correctly, is the only method that can eliminate selection bias and allows the most ease of use following collection of the data. In this case, households are allocated randomly to treatment and control groups. Assuming that this process of randomization is done correctly, both types of selection bias described above are minimized, and in a technical sense there is no bias. There is a known (and low) probability

[10] Good descriptions of impact evaluations can be found in Baker (2000), Rawlings, Sherburne-Benz and Van Domelen (2001) and Ravallion (1999). See also the World Bank website on impact evaluation, http://www.worldbank.org/poverty/impact/index/htm.

that observed between-group differences will be due to something other than the intervention. This permits analysis of the results without recourse to sophisticated econometric techniques and their accompanying assumptions. The evaluations of PROGRESA, PRAF-II and RPS use experimental design.

An experimental design, however, is often difficult to implement for institutional and political reasons. Withholding benefits from eligible individuals or households can be considered unethical and is very difficult to justify politically. In some cases, budget limitations (Honduras and Nicaragua) or the phasing-in of eligible beneficiaries (Mexico) may permit use of an experimental design for the policy maker with worries about the morality of conducting social experiments, but making this justification understood publicly is very problematic. Further, the transparency inherent in randomization may be considered appropriate for programmes with limited budgets that must decide how to allocate scarce resources. Both Honduras and Nicaragua conducted the randomized selection of beneficiary municipalities in public events.[11] Even when the randomization is correctly applied, the implementing agency must be careful that control communities are not "contaminated" by other public programmes or even NGOs, and that benefits are given as planned to treatment households. Providing benefits to control communities too early has apparently caused problems in the PRAF-II evaluation, and a number of treatment households in the PROGRESA evaluation started receiving benefits much later then originally planned (Skoufias, 2001).

Quasi experimental design constitutes a second best option when experimental design is not feasible. Any design with a non-randomized control group may be termed quasi-experimental. One strategy involves using as controls communities (or households or some other grouping) excluded from the programme for budgetary or administrative reasons. One example, employed by the PETI programme as discussed below, consists of using as controls, ex post, communities originally excluded from the intervention due to budget constraints. In a second strategy, control groups may be "created" through econometric techniques, in particular propensity score matching, which has become very popular in recent years. In matching methods, the counterfactual group is constructed by matching programme participants to non-participants on the basis of similarities in observed characteristics that are predictive of participation in the programme (Heckman, Ichimura and Todd, 1997, 1998).

[11] Newman, Rawlings and Gertler (1994) discuss some historical examples of randomized design along with a discussion of practical considerations to be taken into consideration when considering such an evaluation.

Depending on the data sources used and on the relative comparability of beneficiaries and non-beneficiaries, it may require a large reservoir of data on non-beneficiaries from which to select. Further, Heckman, Ichimura and Todd (1997 and 1998) find that the biggest source of bias in propensity score matching stems not from selection bias but from bias associated with differences in observable characteristics. Thus for propensity score matching to be made workable, it must effectively control for observed characteristics and use similar survey instruments for beneficiaries and non-beneficiaries. These results have been tentatively confirmed in preliminary head to head testing of propensity score matching and randomized methods using the data from the PROGRESA evaluation and another household survey in Mexico (Diaz, Handa and Orozco, 2003).

Depending on the data and the nature of the selection bias present, other econometric techniques such as instrumental variables may also be appropriate. A number of the social investment fund evaluations (Rawlings, Sherburne-Benz and Van Domelen, 2001), an evaluation of the Workfare programme in Argentina (Jalan and Ravallion, 1999), a comparison of PROGRESA and PROCAMPO recipients in Mexico (Davis *et al.*, 2002) and evaluations of technology transfer programmes under way in Nicaragua (World Bank, 2000) and Mexico (Gonzalez and Davis, 2002) use or propose using versions of these techniques. The PATH programme in Jamaica is considering using either propensity score matching or administratively excluded households as two alternatives in the construction of a comparison group (Rawlings and Rubio, 2003). While this type of quasi experimental design is often cheaper and quicker, may or may not require collection of original data and constitutes the second best alternative, the econometric methods are complex and results are dependent on sometimes excessively stringent statistical assumptions.[12]

Integrating quantitative and qualitative methods

Successful evaluations are generally able to integrate quantitative and qualitative techniques in a complementary fashion. Some of the social investment fund evaluations, particularly Nicaragua and Honduras (see Rawlings, Sherburne-Benz and Van Domelen, 2001 for a review), and to a lesser extent the PROGRESA evaluation (see Adato *et al.*, 2000), provide good examples. In these cases rigorous quantitative impact evaluations were combined with many of the qualitative methods described earlier. While the quantitative components established achievement of numerical objectives, qualitative methods, when done correctly,

[12] See Heckman, Lalonde and Smith (1999) for a thorough discussion of this topic.

provide the details and story behind the empirical results. While quantitative methods show convincingly if a programme had a measurable impact, qualitative methods help understand why, or the process of how this change came about. Qualitative methods are also more appropriate for aspects of the programme that quantitative methods may not capture, for example the influence of politics and corruption, the dynamic between men and women and the incentives driving beneficiary behaviour in response to the intervention. Despite these obvious synergies, professionals involved in each methodology have often been at odds, each viewing the other with scepticism and disdain. Fortunately, efforts made at international organizations such the World Bank, the IDB and IFPRI, historically dominated by economists, to open up the vision of an evaluation – as well as other types of analytical work such as poverty assessments – has helped to break down these barriers.

Cost

The cost of these types of evaluations varies greatly depending on the components and methodologies employed. Typically the biggest expense is data collection; when original data are required costs increase substantially. Experimental designs also imply collection of original data, *pre* and *ex post*, making it a relatively more expensive option, though this is true only if advantage cannot be taken of regular data collection efforts.

Total cost of course depends on the size of the data collection required; for small sample sizes, the cost of the analytical work may be greater, as this cost is relatively fixed compared to survey costs. For this reason experimental designs tend to be the most expensive, requiring at least before and after household surveys which may cost anywhere from US$25 to US$125 per observation. The evaluations of social investment funds cost on average 1 percent of total programme cost, though this percentage varied greatly by method (Rawlings, Sherburne-Benz and Van Domelen, 2001). The cost of quasi experimental designs varies widely as well, again depending on the need for original data. Qualitative methods, which require primary data collection, though of a more concentrated, less extensive sort, are by comparison relatively inexpensive. As such, they are almost invariably worth the added value they provide to the quantitative data.

Rawlings, Sherburne-Benz and Van Domelen (2001) and Baker (2000) argue that serious impact evaluations should be considered public goods. Not only do the interventions in question benefit from the experience of a given programme, but also other interventions in the same sector and indeed in other countries. Thus when an intervention is part of a loan with an international organization

or donor country, it is reasonable to expect some sort of cost sharing on the part of the donor to help pay for the evaluation.

The political economy of evaluation

Successful evaluations require political and institutional support. Historically a number of elements have limited the incorporation of evaluations into development projects:

- No value: government officials and staff from international organizations may not see the value of evaluations and are unwilling to invest sufficient resources.
- Distrust: evaluators may have their own agenda to push.
- Fear: government officials and staff from international organizations do not want to see bad results.
- Political/institutional change: turnover, policy change, political infighting and battles over turf often inhibit planning and development of long-term evaluations.
- **A**ppropriateness: Some goals cannot be measured by impact evaluations (which should not preclude other types of evaluations).

The recent push for more serious impact evaluation has come from a variety of sources. On the one hand, donor countries and international organizations are slowly recognizing the importance of including evaluations in the initial design of an intervention, instead of waiting until the intervention is over, when it is very difficult to perform an evaluation. In the Latin **A**merica and the Caribbean region, this trend is most evident in the series of evaluations of social funds and the targeted cash transfer programmes in Nicaragua and Honduras.

On the other hand, in some countries such as Mexico and Brazil, federally mandated evaluations of all government programmes have forced state agencies to develop evaluations for major programmes. The quality of these state mandated evaluations varies widely, however, even within countries, ranging from the rigorous experimental design of PROGRES**A**, to massive perception of impact evaluations with ***A****lianza para el Campo*, to very poor quality impact evaluations such as that of PROC**A**MPO.

Mexico case study

The case of Mexico provides a very good example of both the potential and pitfalls of state-mandated evaluations. Beginning in 2001, major government

programmes were required to conduct annual evaluations. The law itself does not provide much incentive for producing quality evaluations; most initiative comes from individuals at the different state agencies. The PROGRESA programme was developed under the guidance of a group of public officials with experience and interest in evaluation and statistical techniques. They opted for a randomized experimental design, carried out in conjunction with IFPRI, the most rigorous possible in terms of impact evaluation and in fact quite an innovation in impact evaluation design in Latin America. This type of design, as was described earlier, required treatment and control groups, with withholding of benefits from the control group for a certain amount of time (1.5 years in this case). While this was justified given the incremental expansion of PROGRESA over the first few years of existence, PROGRESA officials feared (correctly) that this would be misunderstood in Congress. This element of the design was left purposely vague until the evaluation was practically completed, at which time it did come under political attack from Congress and the media, but without affecting the evaluation. The evaluation that was presented to Congress included a review of the IFPRI studies, some further original research using the same surveys and a review of state monitoring information (Parker and Scott, 2001). The cost of the evaluation required by Congress was thus minimal, having depended on data (as well as studies) collected in previous years.

The evaluations of *Alianza para el Campo* and PROCAMPO followed very different paths. Prior to the implementation of the law, in 1999 officials in the Ministry of Agriculture (currently with the acronym SAGARPA) had contracted with the FAO for assistance in designing its evaluation. Together they chose essentially a quantitative assessment of perceived impact, where beneficiaries are asked their opinions as to how a particular programme had affected productivity and income, as well as monitoring questions and beneficiary satisfaction. This was done on a grand scale, with a complete evaluation for almost all of *Alianza*'s programmes (starting with 25 in 1999) in each of Mexico's 32 states, requiring tens of thousands of informants. This massive collection of data was quite costly, at over US$1 million a year. The results are relatively limited given the amount of money spent, as it was not possible to determine with statistical certainty whether *Alianza* actually had an impact on a variety of socio-economic indicators. SAGARPA operated under the belief that evaluations of each programme in each state is necessary to comply with the congressional directive.

In this case, the SAGARPA interpretation of the law involves collecting essentially monitoring data on as many programmes as possible, representative at the state level when feasible. This interpretation has led SAGARPA to collect

much more information than is needed to evaluate effectively a programme, and the evaluation process was geared more to collecting and processing these massive amounts of data than to analysis. The cost of the report to the Congress is thus very expensive, given the large amount of original data collected. Fortunately, in successive years the concept of evaluation has broadened, with gradually better analysis, the inclusion of a process evaluation and qualitative methods and the incorporation in 2002 of a pilot quasi experimental design evaluation in two states (FAO, 2001 and Gonzalez and Davis, 2002).

PROCAMPO has been less fortunate in terms of official evaluation. While PROCAMPO has been lucky, as discussed in detail below, in that researchers at academic institutions and international organizations have creatively used a variety of data sources to measure its impact, the two official evaluations have been limited to perception of impact evaluations (SAGAR, 1998 and Colegio de Ingenieros Agrónomos de México, 2001). The latter was commissioned hastily in order to comply with the congressional requirements, and it is the least useful of the three examples provided here. This survey was unable to establish, with any known probability, that PROCAMPO had an impact over any socio-economic indicator of interest. Beneficiaries were instead asked how they spent their payments, if they hired more workers, etc. The evaluation served more as a monitoring tool, providing information on such issues as whether payments had arrived as promised.

Some conclusions on evaluation design

Experience to date from the evaluation of targeted cash transfers and social investment funds provide some guidelines for designing an evaluation system. First and foremost, a good evaluation is most efficiently achieved and taken advantage of when it is part of the design of the intervention. *Ex post* evaluations constitute a much more difficult technical challenge, and in most cases the resulting analysis is not up to the task. Second, if externally mandated, national policymakers must feel ownership over the evaluation process, or as Rawlings, Sherburne-Benz and Van Domelen (2001) put it, the evaluation should have an in-country "champion". This will more likely ensure government commitment to the entire process and that results will be discussed and influence the policy-making process. Third, the quantitative impact evaluations as described here (i.e. obtaining the correct counterfactual) are much more technically challenging. Professional experts are required in sampling, surveying and analytical techniques. This often requires depending on international experts, though in some of the bigger middle-income countries, such as Mexico and Brazil, the numbers of trained nationals are expanding. Fourth, and connected to the previous two comments, evaluations

conducted with international assistance should include cost sharing and must also have the objective of building capacity within country and within national institutions.

Examples of impact evaluations

Below we present a summary of the results of a number of the impact evaluations of conditional cash transfer programmes in Latin America and the Caribbean. These include the PROGRESA programme, PROCAMPO, RPS and PETI. Evaluations have also been completed for *Bolsa Alimentação* and PRAF-II, in both cases conducted by IFPRI. Those results, however, were not yet publicly available at the time of writing. Impact evaluations of both PATH and *Cartão Alimentação* are still in the design phase.

PROGRESA

Given its sheer size and its status as the first of its kind in Latin America, the PROGRESA evaluation is the pioneer of randomized impact evaluation design in social policy. Data from its evaluation surveys have been analysed by dozens of researchers both inside and outside of Mexico. "Before" and "after" repeated observations were collected from 24 000 households in 506 localities at six-month intervals from November 1997 to November 2000. Of these communities, 320 were randomly assigned as treatment communities and 186 as control communities.[13]

Skoufias and McClafferty (2001) summarize the results of IFPRI, the research institute contracted to carry out the first PROGRESA evaluation.[14] They report that, comparing treatment and control households, following a year and a half of benefits, PROGRESA has been shown to:

- keep children in secondary school, including a 20 percent increase in enrolment for girls and 10 percent for boys;
- increase educational attainment (years of schooling) of poor children by 10 percent;
- lower incidence of illness among children ages one to five by 12 percent;
- lead adult beneficiaries to have:
  - 19 percent fewer days of difficulty with daily activities

[13] Behrman and Todd (1999) evaluate whether the randomization was done correctly.

[14] All the reports written for the IFPRI evaluation are available at the IFPRI Web site, http://www.ifpri.org/themes/progresa/progresa_report.htm.

  - 17 percent fewer days incapacitated by illness
  - 22 percent fewer days in bed sick;
- increase the number of first visits in first trimester of pregnancy by 8 percent;
- increase median food expenditures by 13 percent, with most of this additional expenditures on fruit, vegetables and meat;
- increase child growth and reduce the probability of child stunting;
- provide no evidence of crowding out of private transfers, allaying fears that the programme would displace informal assistance networks;
- have no apparent negative effect on labour force participation rates for men or women, countering concerns that transfer payments would provide a disincentive to work;
- have low administrative costs relative to the costs incurred in previous programmes:
  - for every 100 pesos of budget allocated to the programme, an estimated 8.9 pesos are absorbed by administration costs;
  - dropping the household targeting procedures would reduce programme costs from 8.9 to 6.2 pesos (primarily through reduced survey and analysis costs);
  - dropping conditionality requirements would reduce the programme costs from 8.9 to 6.6 pesos (primarily through lower data verification costs);
  - dropping both of these elements of PROGRESA would reduce administrative costs to 3.9 pesos per 100 transferred.

A multitude of other papers outside the formal IFPRI evaluation have been written using the PROGRESA data, focusing on different aspects of the programme, including targeting, schooling and health. Some examples include Behrman, Sengupta and Todd, 2001; Handa *et al.*, 2001; Dubois, de Janvry and Sadoulet, 2002; Raymond and Sadoulet, 2002; Skoufias and Coady, 2002; and de Janvry and Sadoulet, 2002, to name just a few.

The qualitative evaluation of PROGRESA (Adato *et al.*, 2000 and Adato, 2000) found different levels of divisions between beneficiaries and non-beneficiaries in participating communities, leading to social tension, social conflict and political conflict in some cases. Elsewhere PROGRESA was shown in some instances to build up social capital and in other cases to break it down. In general, PROGRESA was not shown to allow local communities to play a significant role in the conceptualization, administration or targeting

of the programme. On the other hand, PROGRESA was shown to empower women, particularly through the increase in women's inter-household negotiating power.

PROCAMPO

PROCAMPO, on the other hand, does not have much in the way of a serious formal impact evaluation. As mentioned above, the legally mandated evaluations that have been carried out are of limited use. PROCAMPO has been extraordinarily lucky, however, in that a large number of PROCAMPO households can be found in (at least) two national household surveys in Mexico: first, the 1994 and 1997 national *ejido* household surveys, which coincidentally provide a natural experiment on participation in PROCAMPO; and second, the surveys from the PROGRESA evaluation described above.

With the *ejido* survey, the first year in this panel was carried out just prior to the disbursal of initial PROCAMPO payments, while the second year captured households after receiving two years of assistance. Programme placement bias was shown not to be an issue, allowing this data to be used as before and after experimental data. Sadoulet, de Janvry and Davis (2001) found that PROCAMPO transfers created large indirect effects among *ejidatarios* through multiplier effects in the range of 1.5 to 2.6 (depending on the econometric model employed) pesos per each peso transferred. That is, for every peso of PROCAMPO transfers, approximately two pesos in total income were generated through household economic activities. This multiplier reflects marginal income opportunities that go unrealized due to household liquidity constraints, which are relaxed by the transfers.

The multiplier works through a number of productive channels. PROCAMPO transfers created a positive multiplier effect in livestock, with every peso of transfer generating 0.28 pesos of livestock income. Similarly, PROCAMPO transfers created a positive multiplier effect in agriculture, with every peso generating 0.33 pesos in agricultural income. The availability of technical assistance and ownership of irrigated land increases the agricultural income multiplier, while the availability of credit decreases it. Thus, households that control more irrigated land and have access to technical assistance and no access to credit take greatest advantage of this multiplier effect.

A PROGRESA dataset was used to evaluate the impact of PROCAMPO on migration among rural households. PROCAMPO potentially could have a negative or positive impact on migration. While PROCAMPO may ease credit constraints and thus increase agricultural profitability, or simply tie farmers

to the land in order to receive the benefits, PROCAMPO could also serve as a source of financing migration for one or more family members. Gonzalez, Konig and Wodon (2002) find that PROCAMPO had a negative impact on the probability of both permanent and temporary migration.

Direct comparative analysis of PROCAMPO and PROGRESA

Direct comparison of two cash transfer programmes in the same country is rare, if only because few countries have more then one kind of conditional cash transfer programme. In Mexico this is the case with PROGRESA and PROCAMPO, which affords a unique opportunity to compare the impacts of two conditional cash transfer programmes with different conditionality requirements.

First, in order to compare the poverty impact of these two programmes with similar numbers of beneficiaries and budget resources, a simulation exercise was carried out using data from the 1996 Mexican national household survey of income and expenditure (Davis, Handa and Soto, 2001). Specifically, the exercise posited what would have been the impact of PROCAMPO not existing during the devaluation crisis of 1994–1995, which led to a large increase in poverty in Mexico, and conversely, what would have been the impact if PROGRESA had existed during the crisis. If PROCAMPO had not existed in 1996, the national headcount index would have been 5 percent higher and the squared poverty gap 5.7 percent higher. If PROGRESA had distributed benefits to its 1999 beneficiaries in 1996, the headcount index would have been 8 percent lower and the squared poverty gap 22.5 percent lower. This shows that PROGRESA is much better targeted to the poorest households compared to PROCAMPO, which is to be expected since PROCAMPO makes no pretence of targeting based on poverty criteria.

Second, a direct econometric comparison of PROCAMPO and PROGRESA has been carried out by Davis *et al.* (2002). This study was interesting in that it took advantage of the existence of households in the PROGRESA evaluation data set who received payments from PROCAMPO. The study found that an agricultural support programme like PROCAMPO has an impact on household welfare similar to that of an anti-poverty programme like PROGRESA. Both programmes are also associated with increased spending on productive activities: PROCAMPO on agricultural production and PROGRESA on non-agricultural business activities. Male beneficiaries thus invest a substantial part of cash transfers, contrary to anecdotal evidence and conventional wisdom.

A companion study by Ruiz *et al.* (2002), focusing on food security, finds that both programmes boost total food consumption and caloric intake in similar

proportions. Increased food security is achieved through different channels: PROGRESA through purchases, while PROCAMPO through investment in home production (then translated either into increased cash income through sales or directly through consumption of home-produced crops). The results also show that both programmes increase nutritional diversity.

RPS

With the assistance of IFPRI, an experimental design with randomized treatment and control groups was used to evaluate the pilot phase of the RPS. In this case, 42 census areas located in six highly marginal municipalities were randomly allocated into treatment and control groups of similar size. A baseline household survey composed of 1 700 observations was carried out in August 2000 prior to the intervention and a follow-up survey of the same households in October 2001.

The intervention was shown to have had a significant positive impact on total household consumption per capita, as well as on household food consumption and the share of food consumption in total spending. The level of food consumption for control group households actually fell during the reference period of the evaluation, while that of treatment households increased, showing that the RPS effectively protected the household food security of beneficiaries during this period. Beneficiaries also showed a significantly greater variety, as well as quality, of foods consumed.

Beneficiary households showed significantly higher incidence of participation in infant and child health monetary programmes, as well as a variety of health practices, including check-ups and vaccinations. Children in beneficiary households also showed a significantly higher level of school attendance and continuation in classes. The programme showed no negative impact over work effort of either adult men or women as a result of receiving the transfers (IFPRI, 2002).

PETI

PETI was evaluated in 1999, in three states, using a quasi experimental design. In each state 200 eligible households were randomly selected from three treatment and three control municipalities, for a total of 3 600 observations. Treatment and control communities were not randomized (as the evaluation was conducted *ex post*). Control municipalities were eligible for participation in PETI but had been held back due either to budget limitations or an initial refusal to participate in the programme. Only a single cross section of data was collected. The analysis found

that in each state covered in the evaluation, PETI increased the number of hours beneficiary children spent in school, with no negative impact for non-participating children. However, the results show that while PETI significantly lowers the probability of a child working, it is less successful at lowering the incidence of working long hours (>10 hours). Worse, the probability that non-participating children work long hours actually increases, suggesting further specialization in child labour for these children. Finally, the results show that participating children had a lower probability of working in a risky job (Yap, Sedlacek and Orazem, 2002; World Bank, 2001a).

IMPLEMENTATION AND IMPACT: DIRECTIONS FOR FUTURE RESEARCH

This section presents a number of issues related to programme implementation and impact in which further research and analysis is warranted. In terms of conditional cash transfer programmes, research has focused on quantitative impact. Given the copious amounts of data collected by these programmes, much can still be done in terms of quantitative impact and cost benefit analysis. This is particularly true in the area of the relationship between conditional cash transfers and productive investment and moving the discussion from the analysis of average impact to a discussion of which kinds of households, and under what circumstances, these programmes have a bigger impact. Other areas of potential research lie primarily in the area of qualitative or institutional analysis and have important implications for design and implementation. These topics range from the tradeoffs between centralization, decentralization and participatory administration; the compatibility of safety net and capital accumulation objectives; when should households "graduate" from cash or technology transfer programmes; the debate between supply and demand driven interventions; the impact on social capital and community organization; and the political economy of these programmes.

What are the tradeoffs between centralization, decentralization and participatory administration?

PROGRESA is highly centralized, with all targeting decisions and selections made in Mexico City headquarters. Transfers are made directly to household beneficiaries, bypassing all local intermediaries. Given the history of social programmes in Mexico, which has been characterized by corruption, lack of transparency and political manipulation, particularly at the local level, this was a logical choice. By law, *Bolsa Escola* and the other Brazilian programmes are administratively decentralized and are run by municipalities under a common set of general rules and federal financing. Neither *Bolsa Escola* nor PROGRESA provides much space for civil community actors to participate in the design or

administration. On the other hand, the *Cartão Alimentação* programme in Brazil gives a significant role to local authorities and civil society in targeting and administering the programme, while the supply-side intervention in PRAF-II also provides a role. Here, community members form local Quality Improvement Teams in the health centres and Parents Associations in the primary schools and are charged with drawing up mission and vision statements, developing these into strategic plans and annual plans and submitting budgets for the projects they want to carry out each year.

While popular participation and decision-making are often considered the ideal, not all local participation is optimal. Lack of democracy may allow local elites to capture gains; local cultural beliefs may conflict with progressive social policy; and even in the presence of democratic structures, exclusionary policies such as machismo or racism against a minority may exist. This is a particular concern with the institutional arrangement being used to gather local participation in the *Fome Zero* programme. Further, decentralization of administration leaves more space for the possibility of unequal implementation across implementing units, as was found recently for PETI (Presidencia da Republica, 2002). Again, the challenge is determining the proper balance between government and local initiative and control and between different levels of government.

Similar debate is found with the design and implementation of social investment funds. For example, open menus of eligible interventions provide more choice and perhaps a better match between community preferences and investments. The drawback is that community preferences may not be in line with national priorities and, depending on the community, may be prone to capture by the better-off for their own benefit. Second, community preferences may not be technically or financially feasible. Third, national objectives in terms of success indicators and community preferences may not coincide. For example, a community may place high priority on improving the physical characteristics of an existing school, without necessarily affecting the enrolment rate, which may be the national measure of success (Rawlings, Sherburne-Benz and Van Domelen, 2001).

What are the advantages and disadvantages of centralization, decentralization and participatory processes in terms of transparency, efficiency, equality and financing? A real challenge facing countries with a political and institutional history like Mexico and Brazil is how to assure transparency and freedom from political manipulation while at the same time taking advantage of a potential local contribution. The appropriateness of centralization versus decentralization seems to depend on such factors as the administrative structure; the legacy

of corruption and public transparency; the legacy of political use of social programmes; and the nature of the specific programme. The decision to choose one system or another is thus empirical, depending on the particularities of each country. Research needs to be done comparing experiences across countries to discover what works and what does not.

Are safety net and human capital accumulation functions compatible?

The compatibility of safety net and capital accumulation (broadly defined) functions is open to debate. This compatibility has two dimensions. First, a basic contradiction exists between short-term safety net and human capital functions; one programme cannot be the "best" possible solution for both.[15] Safety nets are intended to provide short-term support to vulnerable households in times of personal or more general crisis. While they are permanent programmes, households are to receive benefits only for a short, specified period of time. Human capital development, by definition, is long-term, ideally covering over a generation. This human capital development can be considered part of a long-term safety net or social insurance that protects chronically vulnerable households. But in any case the short-term and the long-term nature of these programmes come into contradiction most importantly on the question of exit rules.

Basically, the issue comes down to whether households should be removed from the programme when they are no longer poor, in terms of current well-being status (usually measured by income or consumption). Or, instead, should they be removed when they have completed with the human capital-building objectives (such as children finishing school), regardless of their status of well-being? Most programmes promise the benefits for a specified period of time, for example three years, after which participation may or may not be curtailed. This pragmatic response skirts the dilemma, of course, as a family may still be poor, and certainly will not have developed sufficient human capital, after three years. Ultimately, these considerations raise questions as to the sustainability of programme impacts and behavioural changes after the programme ends, as well as how to maximize the long-term impact of the programme, given cost constraints. One possible solution, employed in Brazil, is to combine the fixed time-limited PETI with a complementary programme, PRONAGER, which focuses on supporting income-generating opportunities for the household.

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[15] This can also be looked at from the perspective of the social assistance versus social insurance functions of a safety net. The assistance function seeks to relieve short-term deprivation, regardless of the long-term impact on physical, human or social capital and thus on development. By contrast, the insurance function is designed with a long-term impact in mind and aims to protect people against the poverty and food security risks associated with income shocks.

Further, measurement of poverty in these circumstances is problematic, as income and consumption are difficult to measure without error, are costly to collect and create incentives to cheat. A certain level of error is acceptable when analysing averages in a household survey, but not when deciding inclusion in a welfare programme. Using human capital-building criteria may be easier to verify and conceptually pleasing, but leakage may become a problem, and, as families may stay on longer, might be more expensive. As a number of the programmes come to maturity and enter a second round of implementation, a comparison of exit experiences across countries would be very revealing.

Are safety net and "productive" capital accumulation functions compatible?

Most conditional cash transfer programmes are linked to the accumulation of human capital in both mind and body, through education, health and nutrition. This type of productive capital takes years – sometimes a generation – to develop. Concerns have been raised regarding the relationship between conditional cash transfer programmes and the accumulation of productive capital for the here and now; that is, capital, such as land or non-agricultural assets, which lead to increased income in the short term. Can and should consumption goals and capital accumulation goals coexist within the same programme? In the current policy debate in Nicaragua it is argued that only in such a fashion can current transfers be made sustainable. While it is hoped that children will be better prepared for the labour market when they are older, productive investment of the transfer will allow the family to sustain the impact of the cash transfers, which cannot continue indefinitely.

The results from recent research (Davis *et al.*, 2002 and a review in Peppiatt, Mitchell and Holzmann, 2001) show that even the extreme poor receiving PROGRESA and or PROCAMPO transfers may spend some part of their transfer on self-employment activities. This is an area that merits further analytical work as well as design conceptualization: how transfers are currently being used for investment and how the productive effect of these transfers can be maximized under different conditions. Such research would be of particular interest to the current debate on cash transfers in Brazil, where the new *Fome Zero* programme restricts spending of the transfer to food, thus precluding direct investment.

The debate between supply-driven and demand-driven interventions

A common debate in countries implementing conditional cash transfer programmes is over-providing incentives to increase household demand for

public services (like schooling) versus providing more (and better-quality) supply of public services as a means of inducing greater participation. While most conditional cash transfer programmes are based on inducing demand directly via cash, they all recognize the importance of the latter. It does little to increase school attendance if the quality is mediocre. Often, in fact, supply and quality of supply suffer as a result of emphasis on demand.

Part of the problem stems from the fact that supply and demand are often controlled by different ministries, leading to problems of coordination and competition over spheres of influence. Some programmes assure funding by providing institutions with resources for each beneficiary; in some cases, such as the RPS health *bono*, the family chooses the health provider. The evaluation of PRAF-II is the only one that specifically looks at the issue of demand-side versus supply-side intervention in the design of the randomized experiment. Another way to look at this issue is that of the synergy between different components of a programme, such as health and education. This is a topic that merits attention both from an institutional as well as behavioural perspective.

What is the impact on social capital?

Given the characteristics of beneficiaries of these programmes (mostly poor, small landholders, often indigenous), it is very relevant to analyse the impact on social capital. In a number of the programmes, fomenting social capital formation is an explicit part of the intervention design. But does it work? Do the interventions – none of which involve pre-existing community political, social or cultural institutions – foment or reduce social capital?

Social participation varies from negligible to a requirement for benefits. But in most cases, targeted conditional-transfer programmes have not been successful in terms of fomenting local participation and social capital and in some places have been counter-productive. For example, PROGRESA targeting of individual households has in some cases created social conflict in communities. Households rarely understand – and often cannot discern – why some households are included and others not. This differentiation may lead to resentment and jealousy. Such separating out of beneficiaries is particularly egregious in more traditional indigenous communities, which have a strong communal tradition. Social capital in some cases has been weakened: where previously a whole community would participate in public works, now only PROGRESA households will do so. This cleavage can undermine the social fabric of a rural community. What is the overall impact of these different conditional cash transfer programmes on social capital and the social relations of a community?

What are the political economy considerations of rural policy reform?

The political economy of rural development policy constitutes a very interesting area of research. Political viability – or the political economy of policy making – has important consequences for feasibility, design and implementation of cash transfers programmes. The shift from universal subsidies to targeted transfers typically represents a hard political sell in most countries. Funding new programmes of this type, particularly under the jealous gaze of traditional health and education ministries, is an enormous challenge. Conditional cash transfers have come under increasing attack in a number of countries. Criticisms range from the political to the institutional, and without organized constituencies, the future of these programmes may be in doubt. Did political realities force design changes in these programmes, and if so, have these changes negatively affected the impact of the intervention? What has been the impact of political considerations on the functioning of these programmes? For example, political constraints required that PROCAMPO cover subsistence as well as modernized farmers and required beneficiaries to grow something (even if not profitable) on their land. Thus PROCAMPO has some poverty impact, but is not an optimal anti-poverty programme, and has some compensatory impact, but is not an optimal NAFTA compensation programme. Spelling out linkages between design, political economy and impact, as well as describing the political debate and history behind each of these programmes, can provide valuable lessons for the design and implementation of current and future programmes. A few efforts have been made along these lines, including Scott's (2003) history of the development of PROGRESA, a forthcoming paper on PROGRESA by Santiago Levy and Evelyne Rodriguez, Aguiar and Araujo's (2002) history of *Bolsa Escola* and Arcia's (2002) interpretation of the fiscal and political challenges faced by the RPS programme in Nicaragua.

What has been the role and impact of gender considerations?

One salient feature of conditional cash transfer programmes is the channelling of transfers to women. As mentioned in the introduction, recent literature shows that when women are given money they are more likely to spend it on good consumption then men are. While this conventional wisdom provides a logical justification for such an arrangement, it is not a forgone conclusion that it is the gender of the beneficiary – and not the conditionality – that have brought about all the good impacts shown in the evaluations presented above. The design of interventions thus far has made it very difficult to separate out analytically the gender from the conditionality effect, because very few men receive the transfer, and those that do may be fundamentally different from males in general (e.g.

they may be widowers). One comparison of male and female PROCAMPO beneficiaries with female PROGRESA beneficiaries shows that conditionality may be as important, or more so, than gender. This is a very promising area of research.

A second line of research involves looking at the change in power relationships within the household, as well as within communities, as a result of providing the transfer to women. Such an analysis was undertaken in the PROGRESA evaluation (see Adato *et al.*, 2000, for example), but this topic cries out for comparative analysis across countries.

These types of analysis are important because different gender objectives may require different intervention mechanisms. For example, if transfers are conditional, and the primary objective is reducing poverty, then it does not appear to matter to whom the transfer is given. If transfers are not conditional, then the literature says to give to women. Further, if the objective is to maximize the household income-generating potential of the transfer, then the money should be given to whoever controls assets within the household. If the objective is to empower women, then obviously the transfer should go to them. But if the objective is really to change the status of women within the household in a more structural sense, perhaps women should be given access to productive assets (beyond their labour power) as well.

Many possibilities for empirical analysis

Finally, the wealth of data being produced by the evaluations of conditional cash transfer programmes leads to almost limitless possibilities for empirical analysis relevant to policy. The PROGRESA evaluation data has been heavily worked from many angles, both in terms of quantitative and qualitative impact analysis, evaluation design, simulation of programme design changes and targeting and cost-effectiveness. Many of the same issues can be researched with the new programmes, a number of which are quite liberal in their policies regarding access to data. However, while we are beginning to learn quite a lot about *average* impact over all the poor or extreme poor, we still know very little about whether it is specific kinds of households in particular that benefit more, and under what circumstances. And as repeated often above, we are reaching the point where comparative analysis across programmes would be quite revealing of how impact changes with country context and design differences.

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Chapter 4

Rural space and the territorial dimension of development in the MERCOSUR countries

Jose Graziano da Silva

INTRODUCTION[1]

Beginning in the 1960s, inspired by the ideas of the Economic Commission for Latin America and the Caribbean (ECLAC), there emerged a number of attempts to achieve integration among the countries of Latin America. The first of these was the Latin American Free Trade Association (LAFTA), signed in 1960, which sought to create a free trade area through the rapid elimination of trade barriers and tariffs between countries in the region. The problems encountered in the negotiating process, arising from differences between the signatory countries, led to the creation, in August 1980, of the Latin American Integration Association (ALADI), whose objective was to form a Latin American common market in a gradual, progressive manner. Within ALADI, MERCOSUR (the Southern Common Market) came into being as one of the regional subgroups.

Initial discussions on the creation of MERCOSUR took place in the first half of the 1980s between Brazil and Argentina. Several commitments were formalized between the two countries, culminating in the Treaty of Asuncion, which, on March 26, 1991, was also signed by Paraguay and Uruguay. In the second half of the 1990s, Bolivia and Chile began negotiations to bring about their entry into the bloc, an effort resulting in what has been called the expanded MERCOSUR – which, however, has still not been fully implemented.[2]

The first stage of the integration process among the current members of MERCOSUR was the creation of a free trade zone, aimed at eliminating tariffs

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[1] The author is the Minister of the Special Ministry for Food Security and the Fight against Hunger in Brazil. Thanks go to Maria Grazia Quieti, Benjamin Davis and Marcello Carmagnani for detailed comments. Errors and omissions are the responsibility of the author.

[2] In the case of Chile, this is due to the fact that its external tariffs are generally lower than those prevalent in MERCOSUR. In the case of Bolivia, its commitments to the Andean Bloc – another regional subgroup of ALADI – have complicated its negotiations for affiliation with MERCOSUR.

between the member countries by the end of the 1990s.[3] The second stage was the establishment of a customs union process setting forth a common external tariff for non-member third countries. However, based on the problems encountered, lists of exceptions to the common external tariff were drawn up for products considered "sensitive". These were to be effective until January 2006, at which time a common market among the original signatories to the Treaty of Asunción (Argentina, Brazil, Paraguay and Uruguay) is to be fully established. In order to achieve this, however, it will be necessary to first harmonize macroeconomic and sectoral policies, particularly fiscal and labour legislation (Montoya, 1998).

According to Zylberstayn and Jank (1998), MERCOSUR's most important goal was to promote a more globalized and competitive regional economy by motivating member countries to reorganize their economies after years of protectionist policies. Some of the direct effects of the economic adjustments made in response to the Treaty of Asunción included an important impact on Brazilian wheat production, with some regional effects on corn, rice, beef, milk, onions, potatoes and wine. In Argentina, sugar, tobacco, timber, poultry and hog sectors were affected. Brazil's advantage was in value-added products, while Argentina had an advantage in commodities.

In recent years, MERCOSUR was virtually paralysed by the severe crises that affected the largest economies in the bloc. The crises were the result of the rigid exchange policies adopted under stabilization plans undertaken by those countries. These included Argentina's Cavallo Plan of 1991, which established parity between the peso and the dollar; and Brazil's Real Plan of 1994, which established a system of exchange bands. The devaluation introduced by Brazil at the beginning of 1999 and by Argentina at the end of 2000 (which allowed their respective currencies to fluctuate against the dollar), while aimed at major long-term macroeconomic convergence, introduced new and unpredictable complications in the difficult process of paving the way for a common market. The devaluation of the Brazilian currency completely reversed the comparative advantages obtained by Argentina – not only for manufactured products, but also for some of the main agricultural commodities – during the time the fixed exchange parity between its currency and the United States dollar was in force. Exports destined for Brazil accounted for the bulk of Argentine products during the time the system of fixed or controlled floating exchange rates in the two countries was in effect. The devaluation of the Real, therefore, played a decisive role in deepening the Argentine foreign exchange crisis between 1999

[3] See summary on that stage in Chaloult and Hillcoat (1997).

and 2001, contributing to the intense social and political crisis in which the country currently finds itself. The Argentine crisis is presently infecting the economies of the other MERCOSUR countries, making expansion of trade within the region the most important issue for the bloc. Moreover, given that a possible solution to the crisis is not yet in sight, it is extremely difficult to make predictions on the future of MERCOSUR.

The present study attempts to offer a balanced view of the recent transformations that are occurring in the rural spaces of the MERCOSUR countries and indicate some possible routes to a form of development that assigns greater importance to the territorial dimension in order to overcome the traditional divisions between agricultural/non-agricultural and rural/urban concerns. This chapter consists of five sections. Following the introduction, the second section focuses on conceptualizing rural-urban space and the spatial perspective in rural development. It will also set the scene for the importance of institutions in fostering local participation, while at the same time dealing with the complexity and difficulties of local participation and decentralization. The third section presents a brief description of rural economic activities (agricultural and non-agricultural) in the MERCOSUR countries. The fourth section reviews experiences with decentralization and focuses on fiscal decentralization, particularly in terms of the transfer of federal funds. The final sections present some final considerations and areas for future research.

Defining the concepts of rural and urban

Unfortunately, there is still great confusion in the use of the terms "agricultural" and "rural" – terms that are often taken as synonymous in the Latin American literature.[4] In truth, the term "agricultural" refers to a sector of economic activity concerned with the cultivation of plants, animal breeding and directly related activities, such as soil preparation, fence building, etc. Agricultural activities are supplemented by industrial and service-providing activities, such as the manufacture of fabrics, machines and equipment, trade and service-providing activities in general. The term "non-agricultural" activities, far from representing a sector, is merely a way of aggregating activities not related directly to agricultural production *per se*.

At the same time, what is called "rural" is really a spatial/geographic category, which in no sense defines economic activities, because in rural

[4] In Brazil, for example, workers in agriculture, fishing, forestry and livestock are considered rural workers, without distinction. Moreover, both labour and social assistance laws always refer to rural workers when attempting to specify agricultural workers. Thus, for example, the Special Rural Pension Program applies only to workers "in the family agriculture system".

areas activities can be either agricultural or non-agricultural. Moreover, as has been exhaustively demonstrated by recent research,[5] agricultural activities are decreasing in rural areas in terms of the number of persons involved and the income generated, while non-agricultural activities, particularly those linked to the provision of services, are increasing. For these reasons, families living in areas defined as rural are increasingly abandoning exclusively agricultural activities and turning more and more to a diverse range of activities.

According to ECLAC (2001), the concepts of urban and rural populations employed in different Latin American countries allow for a delineation of three different groups:

1. countries that define urban centre not only in terms of population density, but also in terms of availability of public utility services (e.g. paved streets, electricity, water, sewerage, medical and administrative services, etc.), as is the case in Chile, Costa Rica, Cuba, Panama and Uruguay;
2. countries that set a minimum population of 2 000 inhabitants as the standard for a locality to be considered urban, such as occurs in Argentina, Bolivia, Guatemala, Mexico and Venezuela; and finally,
3. countries that stipulate that a city be the administrative seat of the municipality and allow within this definition populations of fewer than 2 000 inhabitants (or 250 households), with no other requirement in terms of available public services; in these cases, the municipalities also periodically revise the urban boundaries of localities. Most Latin American countries fit into this category, including Brazil, Colombia, Ecuador, El Salvador, Haiti, Honduras, Nicaragua, Paraguay, Peru and the Dominican Republic.

In all three groups, the rural population is defined by a process of exclusion – i.e. as that population that does not reside in urban areas. However, in none of the MERCOSUR countries does the definition of rural make any reference to the predominance of agricultural activities.

Table 1 presents data on the overall population – urban and rural – for the MERCOSUR countries, as well as for Chile and Bolivia. In an attempt to provide better equivalence in the respective definitions of urban and rural population in the different MERCOSUR countries, there is also a separate breakdown of the population for localities with fewer than 2 000 inhabitants (the criterion adopted by Argentina), based on data from ECLAC (2001). In aggregate terms

[5] On this topic, see the special issue of *World Development*, 29(3), "Rural non-farm employment and incomes in Latin America" (March 2001).

TABLE 1
Urban and rural population in the MERCOSUR countries, 1991–96

Population	Brazil	Argentina	Paraguay	Uruguay	MERCOSUR	Chile	Bolivia
(1 000 people)	1996	1991	1992	1996	1991–96	1992	1992
Total	157 079	32 615	4 152	3 163	197 009	13 348	5 421
Urban	123 082	28 461	2 089	2 872	156 504	11 140	3 695
Rural	33 997	4 153	2 062	291	40 503	2 207	1 725
Loc. w/ >2 000	119 823	28 329	2 015	2 679	152 846	11 293	3 694
Difference between total & loc. w/ >2 000	37 256	4 286	2 137	484	44 163	2 055	1 727
Percentages							
Urban	78	87	50	91	79	83	68
Rural	22	13	50	9	21	17	32
Loc. w/ >2000	76	87	49	85	78	85	68
Difference between total & loc. w/ >2000	24	13	52	15	22	15	32

Source: ECLAC (2001).

the population of MERCOSUR is estimated at nearly 200 million for the 1990s, with 156 million (79 percent) classified as urban and 41 million (21 percent) as rural. This last figure increases slightly to 22 percent when people residing in localities of fewer than 2 000 inhabitants are included.

Considering the MERCOSUR countries individually, Paraguay is far and away the most rural, with 52 percent of the population residing in localities of fewer than 2 000 inhabitants. At the other extreme is Argentina, the most urban of the MERCOSUR countries, with a rural population of barely 13 percent. With the exception of Uruguay, in no country in the region is there a meaningful increase in the rural population if one includes all localities with fewer than 2 000 inhabitants.

Any criterion used to distinguish between rural and urban will inevitably be arbitrary, and will appear more so to the extent that those spaces tend to form a continuum from metropolitan areas to those predominantly agricultural areas considered exclusively rural,[6] without counting areas of biological reserves (or wildlife refuges, as they are known in the United States). Changes in this situation over the long term are at least as important as what criterion is used to

[6] Also called "deep rural" in the French literature. Intermediate situations – generally called outskirts – tend to involve transitional situations and are sometines referred to as semi-urban.

distinguish between rural and urban. From one demographic census to the next, rural areas have steadily been incorporated within urban boundaries, as a result of the expansion of cities during the period between censuses. Comparison between two censuses always "urbanizes" a subset of persons who previously lived in rural areas that have been transformed into urban areas in the period between one census and another, thus inflating the estimates of rural exodus for the period.

Rural development and agricultural development

Until recently, it was assumed that rural and agricultural employment was in decline in Latin America. It was also postulated that the smaller the rural population, the more developed the region would be. The Organisation for Economic Cooperation and Development (OECD) countries, after decades of depopulation of their farmlands and the severe concentration of their populations in large cities, began in the mid-1980s to design specific policies to avoid the desertion of their rural areas. In the meantime, in Latin American countries, the rural exodus and abandonment of small and medium-sized cities were accepted as inexorable.

However, as noted by Anderson and Leiserson in their pioneering work (1980)[7], non-farm activities were expanding very rapidly in farming regions of Africa, Asia and Latin America as a result of agricultural development itself, meriting special attention in the design of rural and even urban development strategies. According to data from 15 developing countries (Brazil among them), by 1970 non-farm income already constituted between 20 and 30 percent of rural employment, and the percentage could have been as high as 30 to 40 percent if villages and small towns are included in the definition of rural areas. The authors note that these percentages should be taken as minimum figures since official employment statistics reflect "primary occupation" during a particular period (generally only the week before the census interview) and often ignore secondary or informal rural non-farm employment of small farmers and of women.

Klein (1992) also called attention to the fact that in Latin America, rural farm employment (in terms of numbers of economically active persons) decreased

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[7] The origin of the Anderson and Leiserson (1980) paper is a report prepared for the World Bank (Anderson and Leiserson, 1978) to promote ways of reducing rural poverty by increasing access to economically productive employment and earnings opportunities. It was noted that the rural poor included many with with little or no productive agricultural land and who instead depended on non-farm activities for survival.

0.8 percent per year in the 1970s, while rural non-farm employment[8] increased 3.4 percent per year, faster than the average growth of GDP. In 12 of the 18 countries for which census data were available, rural non-farm employment was increasing more rapidly than overall employment, as was the case in Brazil; in eight countries rural non-farm employment increased more rapidly than urban employment.

In data from 12 nationwide Latin American country surveys in the 1990s, the simple average percentage of household income deriving from rural non-farm employment for the countries overall is 46 percent, while the average for the rural populations (weighted by the rural population within each country) is approximately 40 percent (Reardon, Berdegué and Escobar, 2001). This large share contradicts the traditional view in Latin America that equates rural incomes with farm sector incomes. It is a share similar to the simple national averages of 45 percent found for Africa and 35 percent for Asia in similar syntheses of household survey data. In Latin America there is little inter-country variation in rural non-farm income shares, ranging from 35 to 50 percent, and little systematic relation of these shares with country GDP per capita.

However, Reardon, Berdegué and Escobar (2001) find that poor households and poor regions in general often lack access to better-paying non-farm employment that could bring them out of poverty. Instead, the rural non-farm activities on which they depend are the equivalent of subsistence farming in that they are low-productivity, low-wage, temporary jobs with little potential for growth. A major challenge to policymakers, the authors point out, is to promote non-farm employment and income with a real possibility of alleviating poverty.

The authors also show that there are a variety of growth engines for rural non-farm development, some of which are locally endogenous, as when agricultural development and commercialization generate surpluses that spur local non-farm development. While agricultural development might have been the fruit of investments by local staples farmers, it is itself often "implanted" by investment from non-local entrepreneurs. Other examples of growth engines include a rural non-farm activity spurred by outside investors or the employment of local families in non-farm jobs in nearby rural areas or in cities.

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[8] We follow the definition of rural non-farm employment employed by Reardon, Berdegué and Escobar (2001). "Employment" includes self-employment and paid employment. "Rural" means population concentrations (village/town) below a threshold that varies (in official definition) by country. "Non-farm" means activity outside agriculture (defined as own-farming plus paid employment in agriculture), hence in manufacturing and services. They define the labour market as including both self-employment and wage employment.

The findings of the studies suggest two main implications for policies and programmes. The first is the importance of providing incentives for households to seek rural non-farm jobs and increasing the households' ability to respond to such opportunities. The second is that, recognising the importance of rural non-farm employment engines from outside the rural sector, policy should mobilise resources (human and institutional, in addition to capital) with the ability to develop new types of projects in such secondary and tertiary sectors as tourism, recreation and environmental services. The authors also emphasise the importance of promoting rural non-farm employment within the broader perspective of land-use development and the rural economy as a whole, rather than with a narrowly agricultural bias. Agricultural development itself requires growth in manufacturing and services. Relying exclusively on agricultural development means condemning these regions to chronic poverty, marginalization and stagnation (Reardon, Berdegué and Escobar, 2001).

Research for the MERCOSUR countries shows an unmistakable growth trend in non-agricultural rural employment. Most of these jobs, however, are low-skilled and poorly-paid, particularly those related to the provision of personal services (such as paid domestic work), which constitutes the majority of jobs in countries with high income concentration such as Brazil and Uruguay. While there are no recent data for Argentina, Paraguay or Uruguay to confirm growth in non-agricultural income for rural families such as is occurring in Brazil (Graziano da Silva and Del Grossi, 2001), there are strong indications of such a trend based on the sharp fall in prices of agricultural products exported by the region and the increase in government transfers related to pensions and retirement (see Giarracca, 2001; Neiman, 2001; Piñeiro, 2001; Galeano, 1997; Morley and Vos, 1999; Molinas Veja, 2000.)

The results presented above concerning the composition and growth of rural non-farm employment in the MERCOSUR countries do not differ greatly from the general patterns found in other Latin American countries. However, it is important to bear in mind the heterogeneity of activities lumped into the general rural non-farm employment "sector". Moreover, the phenomena that are driving the growth of rural non-farm employment activities vary by country and depend on the links between rural non-farm employment activities and other sectors of economic activity, not least of which is the agricultural sector itself. Anderson and Leiserson (1980) note the increased demand for non-food goods and services generated by growth of agriculture and rising rural incomes as one type of driver of rural non-farm employment growth. They also emphasise the importance in some countries of external markets for handicrafts and for the output of large-scale agro-industries.

In the case of countries such as Argentina and Brazil, the demand generated by the urban sectors independently of local agriculture can be decisive in the growth of rural non-farm employment. Brazil has large metropolitan areas in practically all of its regions that profoundly influence the flow of products and persons, whether from city to countryside or vice versa. The agricultural activities in a given region can be reconfigured by urban residents living near rural areas as they seek leisure, tourism and environmental preservation. This gives rise to another dynamic of rural non-farm employment creation based on what we have termed "new agricultural activities" such as fee fishing, hunting lodges, raising animals and growing ornamental plants.[9] Many of those activities, which were previously little developed and geographically quite dispersed, have become true productive chains involving agro-industrial operations, personal services and relatively complex, sophisticated systems of distribution, communications and packaging.

In the cases of Brazil and Argentina, all of the dynamics cited above are present. However, they are not the main drivers of rural non-farm employment in regions where the rural agricultural population is relatively small, where cities are large and where a large portion of the farm-sector EAP lives in urban areas, such as one finds in central-south Brazil (Graziano da Silva, 1999) and in the Pampean region of Argentina (Neiman, 2001). Moreover, in the regions where the process of agricultural modernization has been most intense, farming generates very little demand for labour, and the labour it requires is usually skilled. This labour is provided by firms, located in nearby cities, which provide agricultural services.

The research carried out by Project Rurbano shows that farm activities generate less income in Brazil, and that there has been a decline in the number of agricultural households, since they are unable to survive on their income from agriculture alone. Not even the number of pluriactive households, where the members combine farm and non-farm activities, has been increasing. Considering the fall in income from agricultural activities, rural Brazilian households are (and have been) steadily becoming more non-agricultural, with their survival depending on social service transfers (retirees and pensioners) and on non-farm employment (Graziano da Silva, 1999). The evidence gathered

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[9] "New" in quotation marks because many of the activities are, in fact, traditional, though they only recently attained economic importance. Some of the traditional activities include hobby farms, small family farms and fish farms, horticulture, flower farming, fruit farming, raising of small animals, etc. Others, such as fee fishing, are non-traditional. These have been transformed, however, into important sources of income and employment for rural families in recent years. See Del Grossi and Graziano da Silva (2002).

from studies in the other three MERCOSUR countries points in the same direction (Giarracca, 2001).

A recent IDB rural finance strategy document (2001) acknowledges that the rural non-farm sector is an increasingly important part of the rural economy and represents a growing share of total rural income and employment. Much of the document highlights the need to develop financial services other than short-term credit that will specifically enhance the productivity and expansion possibilities of non-farm service, processing and manufacturing enterprises. The document's main conclusion is that rural financial markets do not function properly in Latin America and the Caribbean and that the underdevelopment of financial markets has a negative effect on productivity-enhancing investments, income expansion and sectoral growth.

Local development and participation

The idea that poverty is the most serious impediment to sustainable development in late-developing countries is far from novel. Yet it would be a mistake to imagine that this is the only, or even the greatest, problem. The lack of social organization –especially with regard to civil society – has proved to be a barrier just as great, or perhaps even greater, than the poverty of rural populations. This is especially true at a time when globalization has highlighted local spaces as arenas of social, economic and political participation for organized groups.

The *local sustainable development* approach suggests that most issues could be better resolved by removing power from the state in the federal arena and empowering the local level.[10] At times, optimism prevents a clear examination of who within this local society is organized, which interests are effectively represented and how they are actually organized. The conclusions of such an examination would not be encouraging: in the non-developed countries it is still typically the old, oligarchic interests that are well represented at the local level. Social actors emerging in the rural areas of those countries are still in their infancy, with no organized institutional form. Non-governmental organizations (NGOs) often constitute a poor alternative for bringing together and representing interests. Many are little more than *ad hoc* arrangements aimed at winning governmental and foreign financial support and employing half a dozen "dedicated professionals" who could find no other form of survival. Lack of infrastructure (transportation, energy and water supply, sanitation, educational and health facilities, etc.) and high levels of urban poverty in small and medium-

[10] See for example World Bank (2001) and IICA (2000).

sized cities leave rural development a low-priority issue for local governments. Even the World Bank (1996) has suggested that local elites are more interested than national elites are in preserving inequitable social structures. Local elites tend to dominate local decision-making, thus serving their own interests at the expense of the interest of the poor. For these reasons, there is considerable scepticism as to whether decentralization will automatically lead to policies that are more sensitive to poverty.

Transformation and globalization

As is amply demonstrated in the following section, the rural areas of the MERCOSUR countries have undergone substantial transformations in the last two decades. In essence, they are influenced by urban activities that have moved them beyond merely agricultural production. As a consequence of this increasing urbanization of activities in the rural milieu, current official criteria designed to distinguish between urban and rural have been put in check, altering the traditional agricultural/sectoral focus of rural policies. Territorial policies are gaining importance and giving rise to new proposals for regional development (Tendler, 1997).

The debate on rural and agricultural restructuring in the context of globalization has not managed to escape the danger of "a reification of the local", primarily in the less developed countries. Graziano da Silva (2002) emphasises four fundamental differences in the impacts of globalization on MERCOSUR countries vis-à-vis developed ones: (a) the emergence of new forms of governance; (b) issues related to social organization; (c) quality-of-life issues; and (d) the place that those countries (and their agricultural sectors) occupy in the new international division of labour. In the developed countries agriculture is a less important sector economically in terms of production, employment and income-generation. Moreover, the participation of developed countries in international agricultural markets came about as a result of surplus products and through importing of specific foods regulated by bilateral agreements, with prices and quantities usually established through negotiation.

In the case of the MERCOSUR countries, agriculture is still highly important economically, in terms of both creating jobs and producing food. It provides a significant proportion of the income and revenues that countries need to pay for their imports, which have increased significantly as a result of globalization. Therefore, access to international agricultural markets is becoming increasingly important, both for countries that export a significant portion of their products (such as the countries that established the Cairns group) and for countries that have always depended on the importation of agricultural

commodities for domestic supply and/or domestic price control, as is the case with Brazil and Argentina. Furthermore, given the pressures resulting from the General Agreement on Tariffs and Trade (GATT), the MERCOSUR countries were compelled in the 1990s to open their markets to imported agricultural commodities in order to avoid retaliation from the developed countries, which did not wish to have their agricultural and non-agricultural exports affected.

Space and development

The roots of the differences among agricultural sectors in Latin American countries in general, and in the MERCOSUR countries in particular, go back to the period prior to the adjustment and structural reform policies implemented in the latter half of the 1980s, but were intensified with the advent of those reforms and with institutional changes specific to the sector. A central element in these changes was the withdrawal of the state and the attempt to replace governmental policies and institutions with market mechanisms, a process that affected practically all key aspects of the sector, such as allocation of credit, support services for producers, price policies and land distribution. According to David, Morales and Rodríuez (2001), the productive and social changes that were intensified by the reforms are related to processes that include technological change and its impact on earnings; increased competition from abroad; reduction in the amount of cultivated land; changes in the productive structure; a drop in employment and increased concentration of land and income – all of which began more than two decades ago. Below we provide a brief summary of the important trends in the agricultural sectors of the MERCOSUR countries.

Productive restructuring and labour productivity

Latin America's agricultural sector overall grew at an annual rate of close to 2.6 percent during the 1990s. In the MERCOSUR countries, the rate was far above this average (see Table 2), with particularly notable growth in agriculture in Argentina, Chile and Uruguay, which exceeded 4 percent per year. Mexico, another important agricultural country in Latin America, grew only 1.3 percent per year in the same period, due to its accession to the North America Free Trade Agreement (NAFTA).

Looking at the individual performance of the countries in the most important commodity categories, Argentina, Bolivia, Brazil and Paraguay showed the greatest growth in oilseeds, due to expanded soy production. In fruits and vegetables, Mexico, Chile, Argentina and Brazil accounted for most of the expansion in Latin America. In tree farms, the greatest progress

occurred in Chile, Argentina and Uruguay. Livestock also showed marked growth, with significant expansion in land used for this purpose in Brazil and Chile. The growth was primarily the result of the introduction of significant technological changes (David, Morales and Rodrigues, 2001).

TABLE 2
Selected Latin American countries: Growth in agriculture, forestry, hunting and fishing, 1970–1998

	Average annual percentage		
	1970–1979	1980–1989	1990–1998
Argentina	2.1	1.6	4.0
Bolivia	4.1	1.9	3.0
Brazil	4.7	2.5	2.8
Chile	2.2	5.7	4.4
Paraguay	6.7	4.0	2.4
Uruguay	0.6	0.2	4.3
Mexico	3.4	1.1	1.3
Latin America	3.5	2.1	2.6

Source: ECLAC's Agricultural Development Unit (in David, Morales and Rodrigues, 2001).

The downward trend in the international prices of some products, especially those traditionally part of the Latin American market such as wheat, coffee, sugar and cotton, had a negative impact on many exporting countries and was responsible for the poor performance of family farm producers. For that reason, the commodity categories showing the greatest growth in the region during the 1990s corresponded directly to more modern, capitalized producers, while crops in the hands of small farmers showed either stagnation or reductions in terms of amount of planted area. David, Morales and Rodrigues (2001) argue that this accounts for the sharp drop in the number of small farms during the last ten or twenty years, as found in recent studies of the agricultural censuses in Brazil, Chile and Uruguay and studies of the rural sectors in Argentina, Bolivia, Colombia and Mexico. This trend intensified during the 1990s.

Between 1990 and 1998, agricultural production per economically active person in the sector increased by approximately 20 percent in real terms in Latin America as a whole, growing from 2 002 to 2 393 US dollars (in 1990 US dollars). This is equivalent to an average annual growth of approximately 2.6 percent, well above the 0.5 percent annual rate achieved by the other sectors, thus demonstrating that productivity in agricultural work increased much more than in other activities. The greatest increases in this parameter occurred in Argentina, Brazil and Chile (David, Morales and Rodrigues, 2001).

During the 1990s the MERCOSUR countries tended to specialise in those products that had increasing global demand. In Paraguay, oilseeds, for which global demand has been steadily increasing, comprise 49 percent of agricultural exports and 44 percent of total exports. Exports of cotton have fallen given decreasing world-wide demand for vegetable fibres during the 1990s. In Uruguay, production suffered due to the drop in world-wide demand for two

major exports, beef and grains. Bolivia and Brazil recovered during the 1990s due to their ability to specialize in the export of oilseeds. Chile has remained strong in fruits and vegetables, which are in great demand on the international market, although Chile is very dependent on foreign sources for grains, oilseeds and beef. Argentina showed the worst results among the expanded MERCOSUR countries during the period, due to its ambiguous position in the horticultural market: on the one hand, Argentina is a big exporter of temperate fruits, citrus and fruit juices; on the other hand, in recent times, there has been a marked increase in the imports of tropical fruits and certain vegetables (particularly prepared or frozen ones). Also contributing to Argentina's poor performance is its dependence on imported poultry – one of the agricultural categories that showed the greatest increase in global demand during the 1990s – while its position as a net exporter of oilseed cakes and meal kept that indicator from falling into negative territory. An additional effect of the reforms was to reduce the prices of agricultural inputs, which produced a huge increase in levels of imports of such chemical inputs as pesticides, herbicides and fertilisers (David, Morales and Rodrigues, 2001).

TABLE 3
Selected countries in Latin America and the Caribbean: rural EAP by country, 1980–2000

	(thousands of people)		
	1980	**1990**	**2000**
Argentina	1 686	1 702	1 599
Bolivia	971	1 063	1 124
Brazil	16 289	16 513	16 460
Chile	745	841	862
Paraguay	558	640	742
Uruguay	182	146	125
MERCOSUR	18 715	19 001	18 897
Latin America and the Caribbean	42 670	46 828	50 539

Source: Estimates and projections of CELADE (in David, Morales and Rodríguez, 2001).

As a consequence of these trends, the rural economically active population (EAP) has increased far more slowly than the urban EAP. However, as can be seen in Table 3, the rural EAP figure varies widely between countries. In Brazil, for example, the rural EAP has nearly levelled out since the 1980s, while Argentina and Uruguay showed a reduction of rural EAP in absolute terms in the last decade. In the other expanded MERCOSUR countries (Bolivia, Chile and Paraguay) rural EAP has increased.

Nevertheless, there are marked differences between the stabilization of the rural EAP in the 1980–2000 period and the agricultural EAP of MERCOSUR countries, which dropped from 19.6 to 15.6 million persons between 1980 and 2000, representing a reduction of approximately 2 million people per decade

TABLE 4
MERCOSUR countries: Estimates of agricultural EAP, 1980–2000

Country/year	(thousands of people)		
	1980	1990	2000
Argentina	1 384	1 482	1 463
Bolivia	1 063	1 225	1 468
Brazil	17 485	15 237	13 195
Chile	800	938	979
Paraguay	514	595	713
Uruguay	192	193	190
MERCOSUR	19 575	17 507	15 561
Latin America and the Caribbean	44 690	44 678	44 205

Source: FAO, FAOSTAT Database, Rome, based on household and census surveys (in David, Morales and Rodrigues, 2001).

engaged in agriculture (see Table 4). There are great differences between the MERCOSUR countries in this respect. In Brazil, the agricultural EAP dropped sharply; in Argentina and Uruguay, there also was a small drop, while in the remaining countries the EAP increased. This appears to be a result of changes in productive conditions and in patterns in the consumption of agricultural products, as well as growth in various services and activities in the rural sphere unrelated to agriculture, such as tourism and construction.

Approximately 29 percent of rural EAP in Brazil was involved in non-agricultural activities. The most important sectors of non-agricultural activities are consumer services, industry, commerce, social services and the construction industry. The number of these non-agricultural rural workers has been growing rapidly since the 1980s and they have become majority residents in some states, including Sao Paulo, Rio de Janeiro and Rio Grande do Norte (Graziano da Silva and Del Grossi, 2001).

Neiman and Bardomás (2001), analysing the changes in supply and demand for rural employment in agriculture in Argentina, argue that the process of modernizing agricultural production has affected the structure, location and distribution of the workforce employed in agriculture. Modernization of agriculture has also been responsible in part for the creation of non-agricultural jobs in the rural environment, though linked to broader changes in rural areas overall.

Based on the last two population censuses conducted in Argentina, the total workforce engaged in agriculture grew by approximately 13 percent between 1980 and 1991, from 1.21 million to 1.37 million people. For the same period, the EAP of the entire country grew by nearly 20 percent and the rural population dropped from 17 percent of the total population in 1980 to 12 percent in 1991. Despite that absolute increase in agricultural employment, its share of total EAP continues the historic downward trend, although in this period the drop is less marked: from 12 percent to 11 percent of total employment for the nation.

Neiman and Bardomás (2001) explain the change in EAP by the increase in the number of agricultural workers living in urban areas, who held 85 percent of the nearly 165 000 new jobs created between 1980 and 1991 thus increasing the urban agricultural workforce from 21 percent to 29 percent of the sector's total employment. At the same time the size of the agricultural EAP residing in rural areas remained virtually unchanged. During the same period, the number of workers employed in non-agricultural activities who lived in rural areas remained virtually unchanged, both in absolute terms and as a share of total workers living in rural areas.

According to Piñeiro (2001), in Uruguay the agricultural sector's EAP constitutes only 15 percent of the country's total EAP. Within that number, the largest group of persons falls within the category of rural wage-earners, making the country an exception within MERCOSUR, where family workers represent the largest category.[11] Based on the most recent available data, the rural population in Uruguay has declined significantly (dropping from 17 percent in 1975 to 13 percent in 1985) and is relocating *within* the rural environment. Many people are moving to the departments bordering Argentina and Brazil, motivated by differences in cost of living and by job opportunities. The departments in the centre of the country, with extensive agricultural and livestock production, are losing population. Four factors are instrumental in the strong rural-urban migration in certain departments: (i) expulsion of family producers and their workers; (ii) improvements in transportation; (iii) concentration of the productive base, given that the new categories of exports are produced by a mere few hundred producers; and (iv) technical changes that reduced the demand for permanent workers and increased demand for seasonal workers (Piñeiro, 2001).

The trend towards a reduction in the demand for labour in the agricultural sector in Latin America in general and in the MERCOSUR countries in particular, as summarised in Table 5, is directly linked to production and technological changes that have occurred in the region. The increasing gains in work productivity, for example, together with the relative stability of the agricultural frontier, resulted in a drop in employment. According to David, Morales and Rodrigues (2001), the expansion in livestock and forestry,

[11] For Piñeiro (2001), the rural working population is actually considerably larger than the figure reported in the agricultural censuses. This is a result of the censuses asking for the persons who lived or worked on the farm in the week immediately prior to the census, which is always conducted in the winter period – a time when, in most categories of activity, few workers are employed, particularly seasonal workers. For example, the 1985 population census in Uruguay (which provides more reliable information) identified 94 667 rural wage-earners, while the 1980 agricultural census registered 54 407 rural wage-earners.

TABLE 5
Selected countries of Latin America: Relative changes in the importance of paid agricultural workers and uncompensated and independent workers, 1990–1997

	Increasing	Decreasing	Unchanged
Paid workers	Uruguay (+)	Brazil (++)	Chile
	Paraguay (+)	Mexico (+)	
		Argentina (+)	
Family workers	Brazil (++)	Mexico (++)	Chile
	Argentina (++)	Paraguay (++)	
	Uruguay (++)		

Sources: David, Morales and Rodrigues (2001), Neiman (2001), Piñeiro (2001) and Galeano (1997).

which are not labour intensive, meant a reduction in job creation, while other expanding categories (e.g. fruit and vegetable growing and poultry farming) are increasingly using contract agriculture, which relies on greater capital and also reduces employment.

Among the consequences of the structural changes that have occurred in the agricultural sector, including greater differentiation in productive conditions between small and large producers and the drop in number of jobs, some of the most adverse results have been the increase in poverty and inequality in the rural world. According to various sources compiled by David, Morales and Rodrigues (2001), approximately 66 percent of the poor living in rural settings – 47 million people – are small producers, 30 percent are rural settlers without land and the remaining 4 percent belong to indigenous and other groups. Of the small producers at least 40 percent are small-scale farmers, with little or no access to credit, technical assistance or agricultural support services and little ability to purchase land. The persistence of poverty in urban areas in spite of programmes designed specifically to combat it reinforces the suspicion that any number of similar programmes aimed at rural poverty – including those meant to boost productive development – will also be inadequate or misdirected, unless the *specific* problems of land, credit, capital and support services are addressed.

Structure of agricultural farms in the MERCOSUR countries

Neiman, Sánchez and Berger (2001) compiled data from the agricultural censuses of Argentina, Brazil, Paraguay and Uruguay, in all cases conducted when MERCOSUR was in its infancy (Argentina, 1988; Brazil, 1996; Paraguay,

TABLE 6
Distribution of farms by size and country

Size of farms (hectares)	Argentina	Brazil	Paraguay	Uruguay	MERCOSUR
			Number of farms		
Less than (<) 10	88 737	3 064 822	181 393	11 051	3 346 003
From 10 to100	146 209	2 160 340	105 319	22 760	2 434 628
From 100 to <1 000	115 956	517 431	9 307	16 975	659 669
From 1 000 to <5 000	21 254	44 748	2 356	3 811	72 169
From 5 000 to <10 000	3 339	3 538	533	195	7 605
More than 10 000	2 862	2 125	351	24	5 362
TOTAL	**378 357**	**5 793 004**	**299 259**	**54 816**	**6 525 436**
			Percentages		
Less than (<) 10	23.5	52.9	60.6	20.2	51.3
From 10 to <100	38.6	37.3	35.2	41.5	37.3
From 100 to <1000	30.6	8.9	3.1	31.0	10.1
From 1000 to <5 000	5.6	0.8	0.8	7.0	1.1
From 5 000 to <10 000	0.9	0.1	0.2	0.4	0.1
More than 10 000	0.8	0.0	0.1	0.1	0.1
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

In Argentina, there are an additional 42 864 farms without defined boundaries.
Paraguay's agricultural census lists 7 962 producers without land.
Source: Neiman, Sánchez and Berger (2001).

1991 and Uruguay, 1994). Based on these censuses, the MERCOSUR countries have more than 6.5 million establishments involved in agricultural production, of which half occupy fewer than 10 hectares of land, while nearly 90 percent have fewer than 100 hectares of total declared land (Table 6). These figures are dominated by Brazil, as nearly 85 percent of all agricultural units in MERCOSUR are located in Brazil, with an even higher percentage of the small farms found there. However, if one looks at units of more than 10 000 hectares, over half are Argentine. Paraguay's characteristics are similar to Brazil's, while Uruguay's agricultural structure is closer to Argentina's.

The agricultural sector in MERCOSUR employs more than 23 million people, including family workers and permanent wage-earners in agricultural establishments. Given the existence of approximately 6.5 million productive units, there are on average 3.5 persons per establishment, not counting temporary workers. Argentina and Uruguay show a broader pattern of employment, since their establishments provide permanent work to on average approximately 2.5 persons; by contrast, Brazilian and Paraguayan establishments employ only one more permanent worker per establishment.

The labour structure of MERCOSUR's farms is dominated by family workers, who make up nearly 85 percent of the workforce employed on a permanent basis. The differences between countries are striking: from the high end in Paraguay, where 92 percent of *campesino* agricultural workers are family workers, to a low of approximately 50 percent for Uruguay. The average number of family workers per farm in Brazil and Paraguay is approximately 3, double the number in each of the other two countries. One constant in the agricultural systems of the four countries in regard to this indicator is that the greatest presence of family workers is found in farms with between 10 and 100 hectares (with similar differences for this stratum between countries and among the respective national averages). By country, the relative weight of permanent paid workers is greater in Argentina and Uruguay, covering at least one third of the total labour force. In the other two countries, the ratio between permanent paid workers and the total workforce is approximately 1 to 5. Likewise, Uruguay and Argentina show the highest average of paid workers per farm, with approximately one per unit, while in Brazil and Paraguay the average is one paid worker for every three farms.

According to Neiman, Sánchez and Berger (2001), the number of permanent paid workers rises as the size of parcels increases, contrary to what occurs with family work. This is particularly striking on large farms in Brazil and Uruguay, where farms with more than 10 000 hectares hire around 45 permanent paid workers per enterprise. In all of the countries, farms larger than 1 000 hectares hired approximately 3 paid workers per farm as a minimum. Farms in the smaller categories did not, on average, hire more than one person.

Family work in agriculture varies in relation to the various productive and socio-occupational contexts in the region. The number of family workers employed in Brazil and Paraguay correspond (as in the region as a whole) to those workers' overall representation in the workforce. In Argentina and Brazil, however, family work is concentrated in the larger units (between 10 and 1 000 hectares). Permanent paid workers make up only 10 percent of the stable workforce in the region, although this estimate is likely to be low, given under-reporting owing to irregular hiring situations and difficulties in census taking. Argentina and Uruguay have the highest figures for the category, with as much as 40 percent of the total permanent workforce, while in Brazil and Paraguay it is the largest establishments that employ a significantly higher number of wage-earners per establishment (Neiman, Sánchez and Berger, 2001).

In Paraguay the stagnant and backward agricultural sector that predominated until the 1960s was followed by an agrarian structure marked by the

predominance of agricultural enterprises focused on conservative modernization and based on authoritarian order. The crisis in the agricultural-export model that began in the 1990s continues to extend and expand today, taking new forms within a new context of democracy. Given that agriculture is the most important productive sector in Paraguay, that crisis extends to the rest of the economy. According to the 1991 census half of all rural families are involved primarily in agricultural activities and 75 percent had access to family parcels, almost all smaller than 20 hectares. Forty percent of the 307 000 farms with less than 5 hectares controlled less than 1 percent of the total land polled. In addition, two-thirds of small units had cotton as a cash crop and thus suffered the effects of the cotton crisis (Fogel, 2001).

Units of greater than 1 000 hectares, on the other hand, represented 1 percent of farms but 77 percent of total land surveyed. These latifundia dominate the power structure. Fogel argues that the issue of land permeates all dominant groups within Paraguayan society, from those that control financial capital to the influential officials who own land and whose interests are linked to land. Large landholders are also dominant political actors. In Paraguay, land concentration is at the root of current and potential agrarian conflicts.

Prior to the 1990s, agricultural production in Paraguay was dominated by cotton (primarily a *campesino* activity) and soy (produced by units with a minimum of 50 hectares), which together represented 70 percent of total exports for 1989 and 37 percent of agricultural production. In the 1990s, there was a sharp drop in traditional crops destined for the domestic market and for consumption by the *campesino* population, and a simultaneous increase in agricultural production, primarily soy. Rural poverty expanded and the number of people emigrating to urban centres increased (Fogel, 2001).

Galeano (1997) suggests that during the 1980s, differentiation among *campesinos* became more acute in Paraguay and began to have an effect on the structure of agricultural employment. The number of independent workers fell from 63 percent in 1982 to 58 percent in 1992, while wage-earners, mostly labourers, grew from 15 percent to 24 percent. (Actual employees constituted less than 1 percent.) There was a simultaneous reduction in the number of unpaid family workers. All of these phenomena resulted from the expansion of agricultural modernization, with its corresponding exclusionary effect, reinforced by the extremely limited access to new land for an increasingly rootless *campesino* sector.

This increase in paid workers in recent years has two striking characteristics, as pointed out by Galeano. There is an increase in the number of paid non-farm

work in outlying areas, particularly for the most uprooted stratum of *campesinos* and in situations in which labour demand, particularly in specific phases of the productive cycle, is strong. For the most part, paid non-farm activities tend to have high turnover rates.

Fiscal decentralization

The purpose of this section is to present a general perspective on the experiences with decentralization in Latin America, particularly in the MERCOSUR countries, with emphasis on fiscal decentralization in rural development programmes. Recent pressures experienced by Argentine provinces and by Brazilian states and municipalities in cutting expenditures illustrate the dilemma faced by current decentralization programmes in the MERCOSUR countries. On the one hand, decentralization stimulates political participation, particularly among groups that are marginalized at the federal level. On the other hand, the additional demands of these groups cannot be met, owing to the limits imposed by fiscal austerity policies in force or required by agreements with the International Monetary Fund.

Decentralization: A political or an economic choice?

Finot (2001) assesses the policy and economic aspects of two decades of decentralization policies in Latin America. The policy aspect focuses on shifting the provision of certain public goods from the national sphere to the subnational level. The economic aspect seeks instead to alter productive processes to increase their economical competitiveness. Finot identifies the democratic participation of citizens in decision-making as the basic condition under which decentralization can contribute to economic efficiency. He points out that as important as the decisions citizens might make regarding expenditures are those regarding the contributions they will make to support such spending – one aspect as yet not included in Latin American processes of decentralization. Thus while decentralization has contributed to important advances in coverage of social services and even political participation, it has created pressures on fiscal balance and has not contributed to reducing economic concentration.

There is consensus in the literature on the strong relation between democratization of Latin American countries and the decentralization process implemented in the last two decades of the twentieth century. As a general rule, the military regimes of the 1960s and 1970s were strongly centralized. As civil liberties began to be restored, the demand for economic decentralization was mixed – and, one might even say, confused – with the issue of political

TABLE 7
Countries and level of decentralization

Focus of decentralization	Level of decentralization (subnational public expenditures as a percent of total)		
	More than 20%	10% – 20%	Less than 10%
Intermediate level (states or provinces)	Argentina (49) Brazil (46) Mexico (25) Colombia (39)		
Local level (municipalities)	Bolivia (27)	Uruguay (14) Chile (14)	Paraguay (6)

Source: IDB, 1997.

participation. In this respect, fiscal decentralization gained impetus and became an economic as well as a political target, and served as a way for citizens to have greater control over spending.

Table 7 indicates the degree of decentralization of government spending in the MERCOSUR countries, compared to Mexico, which is a fairly decentralized federal republic by Latin American standards. Argentina, Brazil and Colombia form the trio of countries with the highest level of decentralization in Latin America. According to the IDB (1997), in the last 15 years the amount of public expenditures managed by local governments (municipal or provincial) in Latin America has grown from 8 percent to 15 percent on average. In the case of Brazil, the ratio of central to subnational government net revenues (after transfers) went from 70:30 in 1980 to 58:42 in early 2001 (Villela, 2001). In a number of countries, however – particularly smaller countries with smaller populations, such as Paraguay – resources continue to be highly centralized in the federal government.

There are also many differences among the MERCOSUR countries in the types of decentralization processes undergone, particularly as regards the transfer of resources and responsibilities to intermediate-level governments or municipalities. At the height of Brazil's democratization process that returned political power to civilians, the 1988 constitution approved the transfer of resources and responsibilities directly to the municipalities. Argentina, for its part, chose to strengthen the intermediate levels of government in the provinces, representing in reality a regionalization of the country.

A review of the distribution of responsibility for executing public services for 24 functions in 18 countries, conducted by the IDB (1997), indicates that in the more decentralized MERCOSUR countries (Brazil and Argentina) many

functions are shared among different levels of government. Such is the case with social services, including primary and secondary education and health care, as well as public housing. In Paraguay and Uruguay the subnational level of government accounts for a smaller portion of total public expenditure, with the central government taking responsibility for the majority of services. In these cases, municipalities concentrate on the traditional functions of maintaining streets and overseeing markets, slaughterhouses and cemeteries.

Villela (2001) points out that central governments tend to retain decision-making powers for allocating resources for services and not for executing services. In 12 of 18 Latin American countries the allocation of funds for housing and primary education is determined exclusively by the central governments, while in 14 countries the allocation of funds for welfare services and primary health care is overseen by the central governments.

Brazil is the only country in Latin America to have a subnational value added tax. This tax represents the major source of revenue for its states, with 25 percent of tax revenues going to the municipalities. Problems arise from individual states having primary responsibility for regulating this tax, among them high compliance costs and the tendency to stimulate "fiscal wars" (tax competition) between the states as they attempt to attract investors. These problems are highly significant for the system, but nonetheless this tax has been instrumental in making Brazil one of the most decentralized countries in the world. According to Villela, all other Latin-American countries have problems financing intermediate levels of government. The provinces of Argentina, the departments in Colombia and the Mexican states are all extremely dependent on central government transfers.

In a paper presented as groundwork for the IDB's Subnational Development Strategy, Bird (2000) emphasises that subnational finance and intergovernmental fiscal relations are a focus of concern in Brazil and Argentina and are becoming increasingly important in other larger countries. Decentralization is also being considered by smaller countries such as Paraguay, Uruguay, Ecuador and Guatemala. Bird (2000) highlights the example of Argentina, where the national government has a preponderant role in determining the rates and bases of taxes, and in assessing and collecting them. While proceeds accrue to the provinces, such taxes should be considered as central government taxes that are allocated to the provinces through transfers. Such an interpretation is particularly plausible because there is little connection between the amount transferred and the amount collected locally.

Magrassi (2000) analysed subnational investment needs for the Latin American countries as well as the response within financial markets. He

found that the need for local investment capital is growing throughout Latin American countries, and that several Latin American countries are attempting to increase subnational borrowing in order to expand and diversify the resource pool available to finance infrastructure investment. The public and private credit sources he cites include public banks, municipal development funds, commercial banks (often through public second-tier financial intermediaries) and capital markets. Marked contrasts between the constitutional and legal systems of Latin American countries, as well as the distinct characteristics of domestic credit markets, determine the differences between demand and supply of subnational borrowing in each country.

To visualize this variability, Magrassi (2000) presents an index of subnational borrowing autonomy level, developed for 18 Latin American countries for the above-cited IDB report dedicated to decentralization issues. The spectrum encompasses higher degrees of autonomy in the large federal states (Brazil and Argentina) and in some unitary states (such as Colombia and Ecuador). Magrassi argues that the greater subnational borrowing autonomy in these countries derives from the possibility of contracting debt without central government authorizations as well as the availability of future tax-sharing funds and the possibility of pledging them to secure the debt. Other countries limit the extent to which the subnational level can make debt-financing decisions (as in Bolivia) or do not allow subnational borrowing at all (as in Chile).

Magrassi (2000) identifies Mexico, Brazil and Argentina as having sufficiently developed financial markets to provide for subnational borrowing enhancement strategies. Each of these countries accounted for almost 30 percent of the total public and private debt issuance in Latin America in 1996. He also points to the more developed legal and regulatory infrastructure of domestic markets in Brazil, Chile, Argentina, Colombia and Uruguay, where locally-based independent rating agencies exist that can perform risk assessment on government and private debt issues.

The IDB's subnational development strategy paper (2000) expands on the various and at times divergent motivations for promoting decentralization. These include decentralization as a mechanism to better allocate and use public resources (attaining a better match between the goods and services offered by government and the preferences of the population), promote engagement and ownership by the community of local development programmes, advance greater accountability and better governance at a local level, and take into account the needs and preferences of different regions of each country. Critics often note that local autonomy for decision-making does not by itself guarantee improvements in public services, and may in fact even worsen

them if the local political elite control the decision-making process or if the distribution of resources does not balance the delivery capacity among subnational jurisdictions. These problems provide arguments to proponents of centralization, usually those concerned with macroeconomic stability and fiscal discipline and often located in finance ministries.

The World Bank (1995) notes other difficulties. Decentralization may fail if not accompanied by sufficient powers of taxation or central government transfers. While in the longer term, decentralization may increase the effectiveness of government spending, initial start-up costs to cover additional professional staff, buildings and equipment can be substantial. Further, while unconditional block grants improve the flexibility of local decision-making, they also facilitate the control of funds by local elites. Block grants also may take away incentives to local governments to raise their own resources.

The IDB (2000) takes note of the different types of subnational governments. Table 8 shows that the average population of 7 155 MERCOSUR municipalities is over 30 000, compared to an average population of 12 000 in European Union municipalities. So while most MERCOSUR municipalities are small, others are relatively large compared with the European countries. Thus on average a Latin American municipality must provide services to three times as many people as its counterpart in Europe.

The phenomenon of regional imbalances is discussed in the IDB document (2000) referred to above. The "agglomeration economies" that are generated by concentrating economic activity in cities favour productivity, but also put a strain on infrastructure and the environment, problems which require extensive

TABLE 8
Population and municipalities in selected countries

Country	Population (000s)	Federal		Unitary		Average size Mun.
		States	Municip.	Depart.	Municip.	
Argentina	36 648	23	1 922			19 068
Brazil	174 825	26	5 001			34 958
Paraguay	5 613			17	213	26 352
Uruguay	3 274				19	172 316
MERCOSUR	220 360		6 923		232	30 798
Chile	15 311			13	341	44 900
Bolivia	8 329			9	311	26 781
Mexico	102 410	32	2 397			42 724

Source: Basic data from IDB (2000).

investments to resolve. In rural areas, not only are there fewer people to work, but the concentration of productive activities (which are usually limited to a few extractive or natural resource-based activities) makes diversification difficult and renders local economies vulnerable to market fluctuations. Existing regional imbalances waste the local potential for economic expansion, create migratory and social tensions among regions, foster an uneven distribution of wealth and sustain the perpetuation of disparities among the regions. These regional imbalances are apparent in the gap between the resources and capacities of subnational governments in wealthy regions versus poor regions. The huge differences in size between subnational governments are reflected in their institutional capacity. While some large municipalities have institutional capacities greater than those of many small countries, with financial capacities and sophisticated financial management to match, small municipalities may have no permanent staff at all.

Rural development programmes

Parker (1995) emphasizes that decentralization is a multi-dimensional process that proceeds with successes and setbacks. Decentralization initiatives are therefore subject to a continuous process of modification, reflecting changes in social, political and economic conditions. After reviewing a wide array of experiences with decentralized rural development projects, Parker recognizes the impossibility of designing a single strategy for decentralization. Instead, he highlights the importance of the political, fiscal and institutional elements of the decentralization process for different rural development strategies.

Van Zyl *et al.* (1995) emphasise the fundamental importance of community participation and of delegating decision-making authority to lower levels of government and other institutions. They highlight three recent developments that distinguish current decentralization processes from previous attempts. The first is the establishment and/or extension of democratic institutions in many countries, including the replacement of military regimes by elected civilian governments and the fact that many local government officials/mayors and council members are no longer appointed but elected. The second is the belated recognition of the importance of providing financial resources to decentralized institutions in order to facilitate enacting their powers and carrying out their responsibilities, given that the lack of such resources doomed many earlier decentralization efforts. The third is the expansion of participation in decentralization to a wider variety of institutions, including privatization of some services and the inclusion of NGOs and community organizations for service delivery, as well as the improved targeting of vulnerable groups.

Brazil is one of the most decentralized federations in the world following the adoption of the 1988 Constitution, which clarified the respective roles of the different levels of government. Purely local functions have been assigned exclusively to the municipal level. These include elementary education, preventive health care and intracity transport. The responsibility for public services that are national in scope, such as defence and foreign affairs, remains exclusively a federal function. The remaining functions are the shared responsibility of the federal and state levels, with the federal government setting norms and the states being responsible for the delivery of services.

Van Zyl *et al.* (1995) point out the often substantial variance between *de facto* assignment and *de jure* assignment, along with the federal government's persistent direct involvement in purely local functions. However, they note that in relation to responsibility for development programmes in particular, decentralization (if correctly managed) has the potential for removing financial and managerial problems associated with the over-centralization of project implementation, which has been identified as a major constraint in earlier interventions in the northeast. Decentralization enables local communities to play a more active role in project selection and implementation.

The World Bank Northeast Rural Development Projects in Brazil, for example, which were reformulated in 1993, focused on small, client-driven subproject investments implemented by the communities themselves, with decentralized project management at the state and local levels and more transparent decision- making and accountability for project performance. Their implementation has provided five important lessons:

i. **Decentralization of fiscal** and investment decision-making from federal to state and local governments tends to result in more efficient project administration.

ii. **Decentralization of resource** allocation and investment decisions to rural municipalities and communities should be accompanied by a clearly-defined and well-disseminated system of checks and balances to discourage the misuse of funds.

iii. **Participation in the financing** of subprojects generates a sense of ownership and a willingness to share responsibility for the future operation and maintenance of project investments.

iv. **Beneficiary participation** in the selection, execution, supervision and financing of project investments ensures that investments respond to a true need, generate cost savings and increase accountability at the local level.

v. **Sustainability of project** investments has greater potential when the municipalities and communities contribute to the subproject financing in a cost-sharing arrangement and when there is increased beneficiary participation (World Bank, 1994).

FINAL CONSIDERATIONS

The new approach to local sustainable development has the undeniable merit of moving beyond the archaic urban/rural and agricultural/non-agricultural dichotomies. As we know today, agricultural activities are profoundly transformed by non-agricultural activities. Rural space is not just a space defined by its particular relationship to the land – and, in broader terms, to nature and the environment – but is profoundly linked to contiguous urban space.

Nonetheless, the local development approach presupposes a minimum of social organization that allows different social actors to function as true protagonists in changing the spaces they inhabit. Thus, local sustainable development should also be understood as a political development, in the sense that it permits greater and better representation of diverse social actors. When we speak of these actors, we are not merely referring to agricultural producers, varied as that group may be. We must also include those who inhabit the rural milieu or those from urban areas who simply maintain an idyllic point of reference for a new relationship with nature.

Growing demands and concerns regarding the management and conservation of natural resources are other important components in the strengthening of rural space. Here, as well, the organization of social actors can provide the impulse for participation and implementation of local development plans oriented to their interests. There continue to be many restrictions on the forms of participation and representation, due both to low levels of mobilization and to difficulties in adequately representing all of the social sectors involved. This creates operational and organizational biases resulting from local institutional structures and the decision-making power of the most affluent groups.

In the case of MERCOSUR, while actions directed exclusively at agricultural development were successful in increasing modernization in some parts of the member countries, this was not accompanied by corresponding gains in rural development. One of the main reasons for this is that only the technological and economic dimensions of the rural development process were considered important, while social and political changes, such as the organization of rural landless workers and small farmers, were relegated to a secondary role.

Furthermore, with globalization, the disparities that exist in the MERCOSUR countries tend to be exacerbated, both in regional terms and, in the agricultural sector, with regard to the relationship between the family farm sector and agribusiness. It is apparent that globalization is accelerating the social exclusion of those already in a disadvantaged position, thus accentuating the imbalances that characterise agricultural modernization. While the new approach to local sustainable development makes it possible to overcome old urban/rural and agricultural/non-agricultural dichotomies, existing rural social organization may not be adequate to provide new social actors an opportunity to participate fully in decentralized mechanisms.

Attempts to move forward in fiscal decentralization to provide greater autonomy to regional governments and municipalities in the MERCOSUR countries butt up against increasing restrictions imposed by federal laws aimed at imposing more stringent fiscal measures, under the pretext of needing to maintain fiscal responsibility. These measures involve limiting spending on the basis of actual capacity for tax collection by local governments, plus transfers received (particularly in countries where political decentralization is more advanced, such as in **A**rgentina and Brazil).

The concept that rural poverty is not the only impediment to sustained development in underdeveloped countries is far from novel. The lack of societal organization in underdeveloped countries – especially in the poorest rural areas – is becoming increasingly recognised as an important barrier, in an environment in which globalization is bringing renewed recognition of the value of local spaces as arenas for political, economic and social participation.

Finot (2001) argues that a strategic approach would deepen political decentralization in the provision of infrastructure and basic services and upon this, the foundation for local development would be built. This would entail operationally decentralizing a supply system that guarantees all inhabitants equal access to a "social basket" of public services. It would not necessarily have to interfere with leaving political decisions on production at a centralized level (or even recentralizing) for the purpose of favouring economic competition.

Finot proposes replacing current systems of transfers with a territorial system (based on autonomous decisions on local development) and a social system (the minimum basket of services). Disbursements should be proportional to the *relative* effort of each community. Here, not only the tax contribution would be taken into account, but also the contributions people make (through their social organizations) in terms of work, materials and money to the provision of public goods.

From evidence available in the wake of some 20 years of experience with fiscal decentralization in Latin America, Villela (2001) concludes that in spite of decentralization's failure to reduce regional wealth inequality, especially in large countries like Argentina and Brazil, it has had a positive effect in terms of territorial and social equity. The funds available to the less developed regions have increased and the coverage of basic services like primary health care has improved. Villela cites improved allocation efficiency and greater service coverage (while acknowledging higher unitary costs), noting that results were better in the health sector, where central government has retained more responsibility for funding allocation, than in other sectors such as primary education, where funding was significantly decentralized.

Villela (2001) calls attention to macroeconomic imbalance and insecurity which can threaten to offset the benefits of decentralization, especially the tendency for expenditures to grow faster than local revenues. This can produce a gap that either has to be covered by increased central government transfers or that results in deficits and high subnational indebtedness. Fiscal responsibility legislation designed to control fiscal imbalance, promote transparency and re-establish subnational fiscal discipline has recently been introduced in several countries, although it is not clear whether it has been successful in establishing a sustainable intergovernmental pact of fiscal prudence and an environment for growth and democracy to prosper. The ongoing Argentine crisis, to cite one example, gives one pause in this regard.

How well has decentralization worked for rural development in the MERCOSUR countries? Although the initial evaluation by the World Bank (1995) of its experience with decentralized rural development projects recognises that more research is needed to gain a clear picture of what works and what does not, the report suggests that it is already possible to extract some major lessons from the experience to date. Primary is the importance of appropriate design of the three critical elements – political , fiscal and institutional – and the harmony between them. Appropriate design of how the three elements are combined cannot be determined by a set blueprint, but instead will have to be devised by each country, taking into account local traditions, history, politics and social factors.

Future research questions

A first area of research involves the issue of capacity building at local administrative levels as part of the process of decentralization. Little research or evaluation has been carried out regarding increasing local capacity in human resources, particularly in terms of negotiating, project and budget management

and attracting private investment. Such research is particularly important given the importance of decentralization within the concept of territorial-based development in MERCOSUR countries.

A second and essential area for research is the question of social organization and participation in decentralization. Of particular interest is the independent or autonomous organization of emerging social actors in the rural arena where non-agricultural activities and "new" agricultural activities are increasingly important as ways of generating work and income. On this point, it is worth emphasising activities related to conserving natural resources and the possibility of sustainable exploration of resources for leisure activities and rural tourism.

A third aspect that merits further research is the new relationship between the family farm sector and agribusiness. How have the traditional relationships of the *minifundio* and *latifundio* been altered as a function of the changes occurring in Latin American agronomy during the last two decades?

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